Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

There were no significant changes in these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	56,984	56,190
Taxation	(14,871)	(13,251)
Net profit for the financial year	42,113	42,939

DIVIDENDS

No dividends has been paid or declared by the Bank as at 31 December 2012.

The Directors do not recommend any dividend in respect of the current financial year.

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.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts, if any, had been written-off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written-off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Bank to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

SUBSEQUENT EVENTS

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

DIRECTORS

The Directors who have held office during the period since the date of the last report and at the date of this report are as follows:

Zheng Weiping	
Tan Siak Tee	
Datuk Ter Leong Yap	
Liu Lijing	(Appointed on 04 June 2012)
Chai Woon Chew, Michael	(Appointed on 10 December 2012)
Wang Hongwei	(Appointed on 18 January 2013)
Zhang Lianli	(Resigned on 13 March 2012)
Du Chaohua	(Resigned on 26 April 2012)
Gao Xingmao	(Resigned on 03 September 2012)
Zheng Jingbo	(Resigned on 18 January 2013)

In accordance with Section 129 of the Companies Act, 1965, Mr Tan Siak Tee retires but being eligible, had offered himself for re-election.

In accordance with Article 82 of the Bank’s Articles of Association, Mr Wang Hongwei and Mr Chai Woon Chew retire but being eligible, offer themselves for re-election.

In accordance with Article 76 of the Bank’s Articles of Association, Datuk Ter Leong Yap retires but being eligible, offers himself for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares of the Bank and its related corporations.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During and at the end of the financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except the Directors received remuneration from related corporations in their capacities as executives of those related corporations.

HOLDING COMPANIES

The holding company of the Bank is Bank of China Limited, whereas the ultimate holding company is China Investment Corporation, both incorporated in China.

BUSINESS REVIEW 2012

In 2012, the Bank continued to grow the Remimbi business products, other conventional commercial banking products and liability management in tandem with the Holding Company’s development directions.

BUSINESS OUTLOOK FOR 2013

The global economic outlook remains uncertain with risk driven by economic condition in Europeon countries. It affected the economic recovery of the United States which played a very important role in the global economy. In Malaysia, the effect on the local economic growth is likely to be moderate as export market weakens. However, the Bank will continue to focus its development strategies to grow the Renminbi business, other conventional commercial banking products and liability management in tandem with the Holding Company’s development directions. The Bank is focusing on growing its assets base with prudent risk management.

RATINGS BY EXTERNAL RATING AGENCY

The Bank is not rated by any external agency.

DIRECTORS' PROFILES

Zheng Weiping – Chairman, Non-Independent Non-Executive Director

Mdm. Zheng Weiping, Chinese Citizen, aged 60, was appointed to the Board in year 2012 as Chairman of the Bank, representing Bank of China Limited. She completed her studyies in International Finance in year 1986 at The People's University of China (Renmin University of China).

Mdm. Zheng started her career as an officer at Bank of China, Head Office and she was responsible for the non-trade foreign exchange rate and interest rate management. In the progress of the bank's transformation from a specialist foreign exchange bank into state-owned commercial bank, she had actively participated in deposit related business development and Asset and Liability Management. She was promoted as the Manager/Deputy General Manager of Planning and Co-ordination Department in year 1986 and 1997, respectively. She was in charge of the Product Management Division which focuses on deposit management, business impact analysis and market risk management. The department had undergone restructuring in 1997 and she was assigned the role of Deputy General Manager of Asset and Liability Department, responsible for the business strategic planning, product management and market risk management. In addition, she also assumed the Chief Secretary role of the Interest Rate Committee at The Association of Banks in China.

Mdm. Zheng was transferred to Bank of China Ltd, Singapore Branch in 2004 as a Deputy General Manager to oversee Retail Banking, Treasury Department and all sub-branches in Singapore.

Mdm. Zheng was appointed as the Director to the board of director of Bank of China Nominee (Pte) Ltd in 2007.

DIRECTORS' PROFILES (CONTINUED)

Tan Siak Tee – Independent Non-Executive Director

Mr. Tan Siak Tee, Malaysian, aged 72, was appointed to the Board in year 2000 as an Independent Non-Executive Director of the Bank. He has no family relationship with any director and/or the shareholder of the Bank. He is the chairman of the Bank's Integrated Risk Management Committee, Credit Risk Management Committee and Audit Committee.

Mr. Tan obtained his Bachelor of Commerce degree from University of New South Wales, Australia. He is an Associate of the Institute of Chartered Accountants of Australia and the Institute of Chartered Secretaries and Administrators. He is also a member of the Malaysian Institute of Certified Public Accountants.

Mr. Tan started his career as an Auditor with Coopers and Lybrand, Sydney and later seconded to Coopers and Lybrand, Kuala Lumpur. He has extensive experience in banking industry. He was the Chief Internal Auditor for Malaysian operations in OCBC Bank and Chung Khiaw Bank for the period from 1969 to 1971 and 1971 to 1973, respectively. He joined Lee Wah Bank Limited in 1973 as Manager of Malaysia Central Office and was promoted to Director and Chief Executive Officer for Malaysian operations in 1975. He was made a Director and Chief Executive Officer in United Overseas Bank (M) Berhad ('UOB') for the period from 1994 to 1997 after Lee Wah Bank Malaysian Operations was incorporated in Malaysia in 1994. After his retirement from UOB Group, he became the Non-Executive Director in Asia Commercial Finance Berhad from 1997 to 1999. He joined the Bank in April 2000. His other directorships in public companies are as follows:

- Independent Non-Executive Director of ACB Resources Berhad, a public limited liability company.

Datuk Ter Leong Yap – Independent Non-Executive Director

Datuk Ter Leong Yap, Malaysian, aged 49, was appointed to the Board in year 2010 as an Independent Non-Executive Director of the Bank. He has no family relationship with any director and/or the shareholder of the Bank. He graduated from University of Malaya with a Bachelor degree in Mechanical Engineering.

Datuk Ter is the Executive Chairman and founder of Sunsuria Group of Companies and Top-Mech Group of Companies. In 1997, Top-Mech was awarded Pioneer Status by the Malaysian Government for becoming the first manufacturer of hoist and lifting equipment in Malaysia.

Datuk Ter is also actively involved in social work. Currently, he is the President of Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ('ACCCIM'), Chairman of Socio Economic Research Committee of ACCCIM, Honorary Member, Malaysia-China Business Council and Committee Member of REHDA. He is also the Malaysia's representative for Malaysia-Singapore Business Council as well as the Honorary President of Young Malaysians Movement Malaysia. In addition, he also sits in the Board of School Directors as Vice Chairman, Board of Directors of Hin Hua High School Klang, Director of Kuen Cheng High School Kuala Lumpur and Director of Pin Hwa High School Klang. He has been appointed as Director to the Board of Director of University Kebangsaan Malaysia.

DIRECTORS' PROFILES (CONTINUED)

Datuk Ter Leong Yap – Independent Non-Executive Director (Continued)

In 2002, Datuk Ter was conferred the AMN honour by the Yang Dipertuan Agong for his contributions to the society. In 2008, he was awarded the Top Best 50 Outstanding Malaysian Hokkien Award.

In 2011, he was conferred the Panglima Jasa Negara (P.J.N), by His Majesty, Yang Di-Pertuan Agong Tuanku Mizan Zainal Abidin.

Liu Lijing – Non-Independent Non-Executive Director

Mdm. Liu Lijing, Chinese Citizen, aged 58 was appointed to the Board in 2012 as an Non-Executive Director representing Bank of China Ltd. She has obtained her degree from the university of International Business and Economics, Beijing in January 1978.

Mdm. Liu joined Bank of China Ltd immediately after she graduated from the university. She started her career as an executive at the Institute of International Finance Research Division, Head Office, Bank of China Ltd for America and Asia regions. She was in this Division for nine years performing international finance and economic study and research for Asia and Japan.

She was transferred to Bank of China, Tokyo Branch in 1987 and was involved in international trade finance operations and was transferred back to the Institute of International Finance Research Division, Head Office, Bank of China Ltd for America and Asia Region Department after a year. She was promoted to the position of Deputy Head of the said department and subsequently Head of the Department, responsible for the analysis of the economic conditions and market trend of Asia and Japan to provide support in business strategies planning, projecting future economic trend movements and overall management of the department.

In December 1992, Mdm Liu was transferred to Japan, Osaka Branch as Head of Personal Banking Department and Deputy Branch Manager responsible for the personal banking business development and overall management of the branch.

In 1997, Mdm Liu was assigned the role of Deputy Director of the Institute of International Finance Research Division, Head Office, Bank of China Ltd, responsible for international finance and economic research for Asia and Japan and the other administrative work of the Institution. She was in this position for eight years before her next posting.

She was transferred to Japan, Tokyo Branch in March 2005 as the Deputy General Manager of Tokyo Branch. She headed various job functions including International Trade Finance, Interbank Clearing, Marketing, Internal Audit, Risk Management and Legal and Compliance.

DIRECTORS' PROFILES (CONTINUED)

Chai Woon Chew, Michael – Independent Non-Executive Director

Mr Michael Chai, Malaysian, aged 55, is a lawyer and was appointed to the Board in year 2012 as an Independent Non-Executive Director of the Bank. He has no family relationship with any director and/or shareholder of the Bank. He holds a Bachelor of Law (Hons) degree from the University of Surrey, United Kingdom and is a Barrister-at-Law at Lincoln’s Inn London, United Kingdom.

He was admitted to the Higher Court of Malaya as an Advocate and Solicitor. He is currently the chief executive partner of Messrs. Michael Chai & Co, a legal firm in Kuala Lumpur.

Mr Chai is also actively involved in social work. Currently, he is the Chairman for the Legal Affairs Committee of the Association of Chinese Chambers of Commerce and Industry of Malaysia. He has also assumed important roles in other associations.

Mr Chai was conferred the K.M.N honour by Yang Dipertuan Agong for his contributions to the society.

His other directorships in public companies are as follows:

- Minetech Resources Berhad
- KKB Engineering Berhad

Wang Hongwei – Non-Independent Executive Director/Chief Executive Officer

Mr Wang Hongwei, Chinese Citizen, aged 50, was appointed to the Board in year 2013 as an Executive Director representing Bank of China Limited. He obtained his MBA from Dongbei University of Finance and Economics in June 2004.

He started his career with Bank of China, Dalian Branch, International Trade Settlement Division in December 1983. Since then, he has held various positions at the Branch and was promoted to Director General of the Division in October 1997.

In 1999, Mr Wang was transferred to Bank of China, London Branch as Manager of Trade Financing Department for 4 years. He was transferred to Bank of China Liaoning Branch as Deputy General Manager of Corporate Business Division in 2003. Mr Wang was assigned the role of General Manager of Electronic Bank Department, Bank of China, Liaoning Branch in 2005. He was in this position for 2 years before his appointment as the General Manager of Bank of China, Yingkou Branch in 2007.

He was transferred to Bank of China (Zambia) Limited in February 2010 as the General Manager (CEO). Mr Wang was appointed as CEO of Bank of China (Malaysia) Berhad since January 2013.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

Adherence to the highest standards of corporate governance continues to be the cornerstone of the Bank's corporate culture.

Roles and Responsibilities of the Board of Directors

The Board of Directors of the Bank plays a critical role in ensuring sound and prudent policies and practices of the Bank. The Board carries ultimate responsibility for the proper stewardship of the Bank, ensures maximisation of shareholder's value and safeguarding the stakeholders' interests. It needs to oversee the affairs, establishing, amongst others, the corporate values, vision and strategy that will direct the activities of the Bank. It also provides effective check and balance mechanism in the overall management of the Bank.

The major duties and responsibilities of the Board include:

1. Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
2. Prescribes minimum standards and establishes policies on the management of credit risks and other key areas of the Bank's operations;
3. Regular oversight of the Bank's business operations and performance, and ensuring that the infrastructure, internal controls, and risk management processes are well in place to assess and manage business risks. The Board carries out various functions and responsibilities laid down by Bank Negara Malaysia ('BNM') in the guidelines and directives issued from time to time.

Board Meetings and Supply of Information to the Board

Board meetings are held regularly, 6 times a year, whereby reports on the progress of the Bank's business operations and minutes of the meetings of Audit Committee and other committees set up by the Bank to oversee various risks undertaken are tabled for review by Members of the Board. The Board meetings are convened to review and approve the Bank's quarterly financial statements, deliberate on the performance of the Bank and to provide policy direction and guidance for the management.

The agenda for every Board meeting, together with Management reports, proposal papers and supporting documents, are furnished to all the Members of the Board for their perusal well in advance of the Board meeting date, so that the Directors have ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision making by the Directors.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of minutes at the following Board meeting.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

The Directors are regularly updated and advised by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors, including policy guidelines issued by BNM that concern the Bank or the discharge of their duties as Directors of a financial institution. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretary and the Directors have the liberty to seek external professional advice if so required by them.

The attendance of the Board of Directors' meetings held during 2012 is as follows:

Composition of Board of Director	**Number of Board Meetings**	
	Held	**Attended**
Zhang Lianli, (Resigned on 13 March 2012), Chairman/ Non-Independent Non-Executive Director	1	0
Zheng Jingbo, (Resigned on 18 January 2013), Non-Independent Executive Director	7	5
Gao Xingmao, (Resigned on 03 September 2012), Non-Independent Non-Executive Director	4	4
Du Chaohua, (Resigned on 26 April 2012), Non-Independent Non-Executive Director	1	1
Tan Siak Tee, Independent Non-Executive Director	7	7
Datuk Ter Leong Yap, Independent Non-Executive Director	7	7
Zheng Weiping (Appointed on 13 March 2012), Chairman/ Non-Independent Non-Executive Director	6	6
Liu Lijing (Appointed on 04 June 2012), Non-Independent Non-Executive Director	5	5
Chai Woon Chew, Michael (Appointed on 10 December 2012), Independent Non-Executive Director	1	1

Effectiveness of the Board of Directors

1. Division of Responsibilities Between the Chairman and Chief Executive Officer

   The roles of the Chairman and the Chief Executive Officer ('CEO') are distinct and separate, with each having his respective scope of duties and responsibilities, to ensure a proper balance of power and authority.

   The Chairman of the Board is a Non-Executive Director and his main responsibility is to lead and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Together with the rest of the Non-Executive and Independent Directors, he leads the discussions on the strategies and policies recommended by the Management.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

1. Division of Responsibilities Between the Chairman and Chief Executive Officer (continued)

   The responsibilities for the day-to-day management of the Bank rest with the CEO. He is accountable for leading the management team, implementing the policies or decisions approved by the Board. He is also responsible for charting the future direction of the Bank for the Board's consideration and approval.

   The Board considers and approves a set of expectations on the CEO. This subsequently acts as a yardstick against which his performance will be measured, evaluated and rewarded.

2. Composition of the Board

   The Board currently comprises personnel with differing expertise and of high standing in the society. The Board comprises 6 members, of whom one is Executive Director, and 2 out of 5 Non-Executive Directors are independent as defined under BNM Guidelines on Corporate Governance for Licensed Institutions ('BNM/GP1').

   There is effective check and balance on the Board, with five-sixth of the Board Members being Non-Executive Directors and the Independent Directors consisted of one-third of the Board members.

3. Appointments to the Board

   The proposed appointment of new member(s) of the Board or the re-election of Directors at the General Meeting of the Bank, are assessed and recommended by the Board and approved by the holding company before the application on the proposed appointment is submitted to BNM for approval. The selection criteria with regard to the desired candidate encompass the combination of competencies, the minimum qualifications specified by regulatory authorities and relevant experience.

   The Board of Directors has a broad range of skills and credentials. Each brings a high degree of independent judgement and knowledge to the Board's discussions. They are individuals of high calibre and social standing with backgrounds in banking, law, accounting and economics.

   One-third of the Directors for the time being must retire at each Annual General Meeting ('AGM') and if eligible, may offer themselves for re-election. The profiles of the members of the Board are set out on pages 5 to 7 of the Report.

4. Directors' Performance and Remuneration

   The holding company will carry out assessment on the performance of the Board annually. The members of the Board will be assessed based on the specific criteria set as well as the performance assessment of the Bank as a whole. At the same, an annual assessment of individual directors, Board as a whole and Board Committees will be carried out by the Bank.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

4. Directors' Performance and Remuneration (continued)

The Board will recommend on the policies and framework in relation to rewards and benefits of Directors to the holding company for approval.

The Independent Directors who had served for the financial year are paid annual directors' fee with the shareholder's approval at the AGM.

The appointment, compensation and benefits of the CEO will be assessed by the holding company and the Board based on the qualification, experience and achievement of targets set.

5. Induction and Training

The newly appointed Directors will receive in-house orientation and education programmes to assist them to familiarise with the industry and the Bank within 3 months of the appointment. The programmes should cover at a minimum the nature of business, the corporate strategy of the Bank, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, the risk management strategy of the Bank, legal requirements and financial overview of the Bank.

The Bank and the Holding Company would ensure that all Directors receive continuous training in order to keep abreast with latest developments in the industry, particularly on relevant new laws, regulations and the changing risk factors from time to time.

INFORMATION ON COMMITTEES OF THE BANK

The Board has established Board Committees as well as various Management Committees to assist the Board in the running of the Bank.

The Board Committee and Management Committees in the Bank are as follows:

Board Committees
- Audit Committee
- Board Risk Committee
- Board Nominating Committee
- Board Remuneration Committee

Management Committees
- Risk Management and Internal Control Committee
- Business Development Committee
- Credit and Loan Committee
- Information technology Steering Committee
- Bulk Purchase management procurement Committee

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

The Bank has obtained BNM's approval to dispense with the establishment of Nominating, Remuneration and Risk Management Committees. Accordingly, the Board will undertake the responsibility for the roles and responsibilities expected of each of the Board Committees as follows:

1. Audit Committee

The Board has approved the establishment of Audit Committee and its terms of reference.

(a) Membership and Attendance

The Audit Committee ('AC') comprises the following members and details of attendance of each member at the AC meetings held during 2012 are as follows:

Composition of Audit Committee	**Number of AC Meetings**	
	Held	**Attended**
Tan Siak Tee Chairman/Independent Non-Executive Director	4	4
Du Chaohua (Resigned on 26 April 2012) Member/Non-Independent Non-Executive Director	1	1
Datuk Ter Leong Yap Member/Independent Non-Executive Director	4	4
Liu Lijing (Appointed on 04 June 2012) Member/Non-Independent Non-Executive Director	2	2
Chai Woon Chew, Michael (Appointed on 10 December 2012) Member/Independent Non-Executive Director	0	0

(b) Composition and Terms of Reference

The AC shall comprise only Non-Executive Directors with at least (3) three members but not more than (5) five members, of which the majority should be Independent Directors. At least one member should have accounting expertise or experience in the field of finance.

The AC members shall elect a Chairman among them who is an Independent Non-Executive Director.

A minimum of (4) four meetings per year are planned although meetings may be called at any time at the Chairman's discretion. Meeting includes by way of physical presence and telephone/video conferencing.

The quorum shall be not less than (2) two.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

1. Audit Committee (continued)

(c) Roles and Responsibilities

The AC is given full authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive director to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC should have full and unrestricted access to information and be able to obtain independent professional advice.

(d) Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

(i) The AC reviews internal control issues identified by the Internal Audit and Compliance Department, the external auditors, regulatory authorities, the auditors from the holding company and the management, and evaluates the adequacy and effectiveness of the internal control systems. The minutes of the AC meetings are tabled to the Board of the Bank on a periodic basis;

(ii) The Internal Audit and Compliance Department of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on all departments except the Information Technology Department where the audit would be covered by the auditors from the holding company. The frequency of the audit is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of the departments. The annual audit plan is reviewed and approved by the AC and the findings of the audits are submitted to the AC for review at their periodic meetings.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

2. Board Risk Committee

The Board has approved the establishment of Board Risk Committee and its terms of reference.

(a) Membership and Attendance

The Board Risk Committee ('BRC') comprises the following members and details of attendance of each member at the BRC meetings held during 2012 are as follows:

Composition of Board Risk Committee	**Number of Meetings**	
	Held	**Attended**
Tan Siak Tee Chairman/Independent Non-Executive Director	7	7
Du Chaohua (Resigned on 26 April 2012) Member/Non-Independent Non-Executive Director	2	2
Gao Xingmao (Resigned on 03 September 2012) Member/Non-Independent Non-Executive Director	5	5
Datuk Ter Leong Yap Member/Independent Non-Executive Director	7	7
Liu Li Jing (Appointed on 04 June 2012) Member/Non-Independent Non-Executive Director	2	2
Chai Woon Chew, Michael (Appointed on 10 December 2012) Member/Independent Non-Executive Director	0	0

(b) Composition and Terms of Reference

The BRC shall comprise only non-executive directors with at least 3 members. The committee shall be chaired by an independent director.

The committee shall hold regular meetings, at least once every quarter and should report regularly to the Board.

The quorum shall be three (3) persons.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

2. Board Risk Committee (continued)

(c) Objective

The objective of BRC is to oversee the senior’s management’s activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the integrated risk management functions within the Bank is in place and effectively discharged.

(d) Roles and responsibilities

The BRC shall be responsible for:

(i) reviewing and recommending risk management strategies, policies and risk tolerance for board’s approval;

(ii) reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and to the extent to which these are operating effectively;

(iii) ensuring infrastructure, resources and systems are in place for risk management that is, enduring that the staff responsible for implementing risk management systems perform those duties independently of the bank’s risk taking activities; and

(iv) reviewing management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

3. Board Nominating Committee

(a) Membership and Attendance

Board Nominating Committee ("BNC") comprises the following members and details of attendance of each member at the BNC meetings held during 2012 are as follows:

Composition of Board Nominating Committee	**Number of BNC Meetings**	
	Held	**Attended**
Datuk Ter Leong Yap Chairman/Independent Non-Executive Director	5	5
Tan Siak Tee Member/Independent Non-Executive Director	5	5
Du Chaohua (Resigned on 26 April 2012) Member/Non-Independent Non-Executive Director	1	1
Gao Xingmao (Resigned on 03 September 2012) Member/Non-Independent Non-Executive Director	4	4
Liu Lijing (Appointed on 04 June 2012) Member/Non-Independent Non-Executive Director	2	2

(b) Composition

The BNC shall consists of a minimum of five (5) members. At least four (4) is non-executive directors. The committee is chaired by an independent director.

In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

Meeting to be held as and when required and the full committee meets at least once a year.

The quorum shall consist of a least three (3) persons comprising any of the Committee Chairman and Members.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

3. Board Nominating Committee (continued)

(c) Objective

The objective of the committee is to provide a formal transparent procedure for the appointment of directors and CEO as well as assessment of effectiveness of individual directors, board as a whole and performance of CEO and key senior management officers.

(d) Roles and responsibilities

The BNC shall be responsible for :

(i) establishing the minimum requirements on the skills, knowledge, experience, qualifications and other core competencies of a Director and the CEO;

(ii) assessing and recommending to the Board the nominees for appointment of Director, Board Committee member and CEO;

(iii) assessing and recommending to the Board, the re-appointment of Director/CEO upon expiry of their respective terms of appointment as approved by BNM;

(iv) assist the Board in indentifying and reviewing, on an annual basis, the required mix of skills, experience and core competencies within the Board;

(v) overseeing the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive director, non-executive directors and independent director through annual review;

(vi) recommending to the board the removal of a director or CEO from the board or management if the director or CEO is ineffective, errant and negligent in discharging his responsibilities;

(vii) establishing a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the CEO. Annual assessment is conducted based on objective performance criteria. Such performance criteria is approved by the full board;

(viii) ensuring that all directors receive an appropriate continuous training programme in order to keep abreast with the least developments in the industry;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

3. Board Nominating Committee (continued)

(d) Roles and responsibilities (continued)

(ix) overseeing the appointment, management succession planning and performance evaluation of key senior management officers;

(x) recommending to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities; and

(xi) assessing on an annual basis, to ensure that the directors and key senior management officers are not disqualified under Section 56 of the Banking and Financial Institutions Act 1989 (BAFIA).

4. Board Remuneration Committee

(a) Membership and Attendance

Board Remuneration Committee ("BRC") comprises the following members and details of attendance of each member at the BRC meetings held during 2012 are as follows:

Composition of Board Remuneration Committee	**Number of Meetings**	
	Held	**Attended**
Datuk Ter Leong Yap Chairman/Independent Non-Executive Director	5	5
Tan Siak Tee Member/Independent Non-Executive Director	5	5
Du Chaohua (Resigned on 26 April 2012) Member/Non-Independent Non-Executive Director	*2*	*2*
Gao Xingmao (Resigned on 03 September 2012) Member/Non-Independent Non-Executive Director	4	4
Liu Lijing (Appointed on 04 June 2012) Member/Non-Independent Non-Executive Director	2	2
Chai Woon Chew, Michael (Appointed on 10 December 2012) Member/Independent Non-Executive Director	0	0

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

4 Board Remuneration Committee (continued)

(b) Composition

The Board Remuneration Committee ("BRC") comprises of at least 3 members of non-executive directors and chaired by an independent director. In order to avoid conflict of interest, a member of the committee is to abstain from participating in discussions and decisions on matters involving him.

The full committee meets at least once a year to review the remuneration packages of the directors, CEOs and key senior management officers.

(c) Objectives

The objective of the BRC is to provide a formal and transparent procedure for developing remuneration policy for directors, Chief Executive Officer, and key senior management officers (which includes Deputy Chief Executive Officer and Assistant Chief Executive Officer) and to ensure that compensation is competitive and consistent with the Bank culture, objectives and strategy.

(d) Roles and Responsibilities

The BRC is responsible for:

(i) recommending a framework and developing a clear policy of remuneration for directors, CEO and key senior management officers for the full Board's approval;

(ii) determining the balance of remuneration package, which should be sufficient to attract and retain directors of caliber, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration package. The framework covers all aspects of remuneration such as the remuneration and employment conditions of the industry including director's fees, salaries, allowances, bonuses, share options, benefits-in-kind ("BIK") and termination benefits;

(iii) recommending specific remuneration packages for the CEO and key senior management officers;

(iv) details of the remuneration (including benefits-in-kind) of the individual directors, CEO and key senior management officers are submitted together with the submission of the annual financial reports of the Bank to BNM.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 20 June 2013.

DATUK TER LEONG YAP
DIRECTOR

WANG HONGWEI
DIRECTOR

Kuala Lumpur
20 June 2013

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Group			Bank		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
ASSETS							
Cash and short-term funds	2	1,929,445	1,206,298	1,173,318	1,929,298	1,206,248	1,173,316
Deposits and placements with banks and other financial institutions	3	564,549	223,286	-	564,549	223,286	-
Derivative assets	4	629	2	7	629	2	7
Held-to-maturity securities	5	61,157	40,413	40,225	61,157	40,413	40,225
Loans and advances	6	1,945,141	1,446,669	944,793	1,945,141	1,446,669	944,793
Other assets	7	18,126	13,119	24,977	17,700	12,655	24,477
Tax recoverable		5,233	-	-	5,020	-	-
Deferred tax assets	8	3,042	5,504	5,324	2,907	5,478	5,324
Statutory deposits with Bank Negara Malaysia	9	40,200	17,700	2,100	40,200	17,700	2,100
Investment in subsidiary	10	-	-	-	1,000	1,000	1,000
Property and equipment	11	7,652	7,388	8,063	6,763	6,311	6,715
Intangible assets	12	212	9	52	212	5	43
TOTAL ASSETS		4,575,386	2,960,388	2,198,859	4,574,576	2,959,767	2,198,000
LIABILITIES AND EQUITY							
Deposits from customers	13	2,198,567	1,518,987	815,682	2,204,289	1,525,697	823,114
Deposits and placements of banks and other financial institutions	14	1,848,736	986,979	940,417	1,848,736	986,979	940,417
Derivative liabilities	4	866	9	62	866	9	62
Other liabilities	15	67,698	35,475	54,555	66,395	34,364	52,797
Provision for taxation		-	1,532	1,946	-	1,367	1,626
Deferred tax liabilities	8	-	-	27	-	-	-
TOTAL LIABILITIES		4,115,867	2,542,982	1,812,689	4,120,286	2,548,416	1,818,016
Financed by:							
Share capital	16	304,000	304,000	304,000	304,000	304,000	304,000
Reserves	17	155,519	113,406	82,170	150,290	107,351	75,984
TOTAL EQUITY		459,519	417,406	386,170	454,290	411,351	379,984
TOTAL LIABILITIES AND EQUITY		4,575,386	2,960,388	2,198,859	4,574,576	2,959,767	2,198,000
COMMITMENTS AND CONTINGENCIES	28	2,162,787	1,063,345	1,428,641	2,162,787	1,063,345	1,428,641

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	18	160,813	85,728	160,813	85,728
Interest expense	19	(98,601)	(47,313)	(98,601)	(47,313)
Net interest income		62,212	38,415	62,212	38,415
Other operating income	20	37,878	33,522	32,955	28,269
Other operating expenses	21	(38,789)	(31,497)	(34,660)	(28,177)
Operating profit		61,301	40,440	60,507	38,507
Allowance for impairment on loans and advances	23	(4,317)	1,033	(4,317)	1,033
Profit before taxation		56,984	41,473	56,190	39,540
Taxation	24	(14,871)	(10,237)	(13,251)	(8,173)
Total comprehensive income for the financial year		42,113	31,236	42,939	31,367
Earnings per share - basic/fully diluted (sen)	25	13.9	10.3	14.1	10.3

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Issued and fully paid ordinary shares of RM1 each	Non-distributable	Distributable	
		Nominal value	Statutory reserves	Retained profits	Total
		RM'000	RM'000	RM'000	RM'000
Group					
Balance as at 1 January 2012					
-As previously reported		304,000	72,218	36,804	413,022
-Effect on full adoption of MFRS	35	-	-	4,384	4,384
As restated		304,000	72,218	41,188	417,406
Profit for the financial year		-	-	42,113	42,113
Total comprehensive income for the year		-	-	42,113	42,113
Transfer to statutory reserve		-	21,470	(21,470)	-
At 31 December 2012		304,000	93,688	61,831	459,519
Group					
Balance as at 1 January 2011					
-As previously reported		304,000	58,378	23,095	385,473
-Effect on full adoption of MFRS	35	-	-	697	697
As restated		304,000	58,378	23,792	386,170
Profit for the financial year		-	-	31,236	31,236
Total comprehensive income for the year		-	-	31,236	31,236
Transfer to statutory reserve		-	13,840	(13,840)	-
At 31 December 2011		304,000	72,218	41,188	417,406

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1 each Nominal value RM'000	Non-distributable Statutory reserves RM'000	Distributable Retained profits RM'000	Total RM'000
Bank					
Balance as at 1 January 2012					
-As previously reported		304,000	72,218	30,749	406,967
-Effect on full adoption of MFRS	35	-	-	4,384	4,384
As restated		304,000	72,218	35,133	411,351
Profit for the financial year		-	-	42,939	42,939
Total comprehensive income for the year		-	-	42,939	42,939
Transfer to statutory reserve		-	21,470	(21,470)	-
At 31 December 2012		304,000	93,688	56,602	454,290
Bank					
Balance as at 1 January 2011					
-As previously reported		304,000	58,378	16,909	379,287
-Effect on full adoption of MFRS	35	-	-	697	697
As restated		304,400	58,378	17,606	379,984
Profit for the financial year		-	-	31,367	31,367
Total comprehensive income for the year		-	-	31,367	31,367
Transfer to statutory reserve		-	13,840	(13,840)	-
At 31 December 2011		304,000	72,218	35,133	411,351

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		56,984	41,473	56,190	39,540
Adjustments for:					
Depreciation of property and equipment		1,601	1,527	1,377	1,314
Amortisation of intangible assets		113	44	109	39
Gain on disposal of property and equipment		-	(30)	-	(30)
Amortisation of premium less accretion of discount		222	(42)	222	(42)
Allowance for impairment on loans and advances		4,317	(1,033)	4,317	(1,033)
Interest income from held-to-maturity securities		(2,162)	(1,220)	(2,162)	(1,220)
Unrealised foreign exchange loss/(gain)		662	(140)	662	(140)
Net loss/(gain) on revaluation of derivative		230	(48)	230	(48)
Property and equipment written off		2	17	2	2
Dividend income		-	-	(5,800)	(6,100)
Operating profit before changes in operating assets and liabilities		61,969	40,548	55,147	32,282
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(341,263)	(223,286)	(341,263)	(223,286)
Loans and advances		(502,789)	(500,843)	(502,789)	(500,843)
Other assets		(5,669)	11,998	(5,707)	11,962
Statutory deposits with Bank Negara Malaysia		(22,500)	(15,600)	(22,500)	(15,600)
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		679,580	703,305	678,592	702,583
Deposits and placements of banks and other financial institutions		861,757	46,562	861,757	46,562
Other liabilities		32,223	(19,080)	32,031	(18,433)
Cash generated from operating activities		763,308	43,604	755,268	35,227
Tax paid		(19,174)	(10,858)	(17,067)	(8,586)
Net cash generated from operating activities		744,134	32,746	738,201	26,641

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Group		Bank	
	Note	2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income received from subsidiary		-	-	5,800	6,100
Purchase of property and equipment		(1,867)	(878)	(1,831)	(912)
Purchase of intangible assets		(316)	(1)	(316)	(1)
Proceeds from disposal of property and equipment		-	39	-	30
Purchase of held-to-maturity securities		(20,802)	-	(20,802)	-
Interest received on held-to-maturity securities		1,998	1,074	1,998	1,074
Net cash (used in)/generated from investing activities		(20,987)	234	(15,151)	6,291
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		723,147	32,980	723,050	32,932
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		1,206,298	1,173,318	1,206,248	1,173,316
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2	1,929,445	1,206,298	1,929,298	1,206,248

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The financial statements of the Group and the Bank for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. Subject to certain transition elections disclosed in Note 35, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 35 discloses the impact of the transition to MFRS on the Group and the Bank's reported financial position, financial performance and cash flows.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 34.

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

The group and the Bank will be required to adopt the new standards, amendements to standards and interpretations in the period set out below:

(i) Financial year beginning on/after 1 January 2013

- MFRS 10, 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 'Consolidated and separate financial statements' and IC Interpretation 112 'Consolidation – special purpose entities'.

- MFRS 12, 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11 'Joint Arrangements', and replaces the disclosure requirements currently found in MFRS 128, 'Investments in Associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13, 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127, 'Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(i) Financial year beginning on/after 1 January 2013 (continued)

- The revised MFRS 128, 'Investments in Associates and Joint Ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101, 'Presentation of Items of Other Comprehensive Income' (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119, 'Employee benefits' (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

The Group and the Bank will apply these standards from financial years beginning on or after 1 January 2013.

(ii) Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(iii) Financial year beginning on/after 1 January 2015

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139, 'Financial Instruments: Recognition and Measurement' with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

- The accounting and presentation for financial liabilities and for de-recognising 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'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

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

  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 has not finalized the impact of the adoption of MFRS 9.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

B ECONOMIC ENTITIES IN THE GROUP

The consolidated financial statements include the financial statements of the Bank and its subsidiary, made up to the end of the financial year.

Subsidiaries

Subsidiaries are all those corporations, partnerships, or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the profit or loss attributable to the parents.

In the Bank's separate financial statements, the investment in subsidiary is stated at cost less accumulated impairment loss. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement (refer to accounting policy Note G for impairment of non-financial assets).

C PROPERTY AND EQUIPMENT

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.

Depreciation of property and equipment is calculated to write-down the costs of the property and equipment, or their revalued amounts, to their residual values on a straight line basis over their estimated useful lives as follows:

Computer equipment	2.5 to 3 years
Motor vehicles	6 years
Office equipment	5 to 7 years
Renovation	5 to 10 years

Depreciation on working-in-progress commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

At each balance sheet date, the Group and the Bank assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. See Note G in summary of significant accounting policies on impairment of non-financial assets.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

D INTANGIBLE ASSETS

Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

E FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify financial assets into financial assets at fair value through profit or loss, available-for-sale securities, loans and receivables and held-to-maturity securities. The classification depends on the purpose for which the financial assets were required. Management determines the classification of the financial assets at initial recognition, at the point when the transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

(iii) Held-to-maturity

Held-to-maturity (‘HTM’) are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of financial investments HTM, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale (‘AFS’) financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised in equity, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.

E FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date that an asset is delivered to or by the Group and the Bank.

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as fair value through profit and loss, transaction costs are expensed off.

(c) Subsequent measurement

AFS financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note F) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Dividends income on an AFS equity instruments are recognised separately in profit or loss when the Group's right to receive payment is established.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

F IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Bank assets at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

F IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(a) Assets carried at amortised cost

<u>Loans and advances</u>

The Group and the Bank first assess whether objective evidence of impairment exists individually for all loans and advances.

If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed loans and advances, or loans and advances that have been individually evaluated, but not considered to be individually impaired, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan and advances' carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the loan and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If the loan and advances has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets beign assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

F IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

Loans and advances (continued)

The methodology and assumptios used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized such as an improvement in debtor's credit rating, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

Where a loan and advances is uncollectible, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loan are classified in "impairment losses on loans and advances". Recoveries in full or in part of amounts previously written off are credited to the income statement in "impairment losses on loans and advances".

Held-to-maturity

If there is objective evidence that an impairment loss on HTM securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a HTM security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in debtor's credit rating, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

F IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets carried at fair value

When a decline in fair value of AFS securities has been recognised directly in equity and there is objective evidence that the security is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the income statement even though the security has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that security previously recognised in the income statement.

If, in subsequent periods, the fair value of a debts instrument classified as AFS increase and the increase can be objectively related to an event occurring after the impairment was recognised in the income statement, that portion of impairment loss is reversed through the income statement. For equity instruments, no reversal of impairment loss through the income statement is allowed when there is an increase in fair value of the equity instrument in subsequent period.

G IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units).

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

H CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of change in value.

I FINANCIAL LIABILITIES

The Group's and the Bank's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers and bills and acceptances payable.

Bills and acceptance payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

J FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

K LEASE

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance leases

Leases of assets where the Group and the Bank have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group and the Bank in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

L PROVISIONS

Provisions, other than provision for bad and doubtful debts, are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

M DIVIDENDS PAYABLE

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividend is established.

N CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

O RECOGNITION OF INTEREST INCOME

Interest income is recognised on an accrual basis using the effective interest method. Interest income on housing loans and term loans is recognised by reference to monthly rest periods.

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned/accrued and accretion/amortisation of discount/premium on these securities.

P RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividend income is recognised when the right to receive payment is established.

Q CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

R INCOME TAX

Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits for the financial year.

Deferred tax

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

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

Deferred tax is recognised on temporary differences principally arising from depreciation of property and equipment, amortisation of intangible assets, general allowance for loans and advances, specific allowance for loans and advances and provision for other liabilities.

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

S EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Post-employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to the defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

T FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favorable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

Financial instruments not recognised on the balance sheet

The Group and the Bank are parties to financial instruments that comprise foreign currency forward contracts. These instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either:

T FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hedge

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement to offset the value change on the hedging instrument.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective are deferred in equity. The deferred gains or losses are released to the income statement when the hedged cash flow items affect income. The ineffective part of any gain or loss is recognised in the income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recongised immediately in the income statement.

Gains and losses accumulated in the equity are recycled to the income statement when the foreign operation is partially disposed or sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement.

1 GENERAL INFORMATION

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

The holding company of the Bank is Bank of China Limited, whereas the ultimate holding company is China Investment Corporation, both incorporated in China.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is:

Mezzanine Floor, Plaza OSK
Jalan Ampang, 50450 Kuala Lumpur

2 CASH AND SHORT-TERM FUNDS

			Group
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with banks and other financial institutions	143,278	64,166	174,518
Money at call and deposit placements maturing within one month	1,786,167	1,142,132	998,800
	1,929,445	1,206,298	1,173,318

			Bank
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cash and balances with banks and other financial institutions	143,131	64,116	174,516
Money at call and deposit placements maturing within one month	1,786,167	1,142,132	998,800
	1,929,298	1,206,248	1,173,316

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bank Negara Malaysia	65,005	-	-
Other financial institutions	499,544	223,286	-
	564,549	223,286	-

4 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statement of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the date of statements of financial position are analysed below.

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Derivative assets	629	2	7
Derivative liabilities	(866)	(9)	(62)
	(237)	(7)	(55)

4 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group and Bank		
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
	RM'000	RM'000	RM'000
31 December 2012			
Foreign exchange related contract:			
-forward/swaps	651,494	629	(866)
	651,494	629	(866)
31 December 2011			
Foreign exchange related contract:			
-forward/swaps	5,710	2	(9)
	5,710	2	(9)
1 January 2011			
Foreign exchange related contract:			
-forward/swaps	12,744	7	(62)
	12,744	7	(62)

5 HELD-TO-MATURITY SECURITIES

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
At amortised cost			
Money market instrument:			
Malaysian Government Securities	41,101	40,413	40,225
Negotiable instruments of deposits	20,056	-	-
	61,157	40,413	40,225

6 LOANS AND ADVANCES

At amortised cost

(i) By type

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Overdrafts	226,199	193,072	119,139
Term loans			
- Housing loans	23,751	10,162	9,546
- Syndicated term loan	268,477	210,870	248,139
- Other term loans	726,897	545,611	373,653
Bills receivable	423,934	295,209	-
Trust receipts	7,535	8,467	9,568
Claims on customers under acceptance credits	103,127	110,358	93,491
Revolving credits	122,202	24,045	-
Staff loans	2,192	1,540	2,210
Loans to banks and other financial institutions	61,647	63,838	108,457
Total Gross loans and advances	1,965,961	1,463,172	964,203
Allowance for bad and doubtful debts:			
- Collective impairment allowance	(20,809)	(16,492)	(16,536)
- Individual impairment allowance	(11)	(11)	(2,874)
Total net loans and advances	1,945,141	1,446,669	944,793

(ii) By geographical distribution

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Malaysia	1,402,636	951,549	733,900
Other countries	563,325	511,623	230,303
	1,965,961	1,463,172	964,203

6 LOANS AND ADVANCES (CONTINUED)

(iii) By interest rate sensitivity

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Fixed rate			
- Housing loans	-	-	-
- Other fixed rate loan	383,560	296,530	3,047
Variable rate			
- BLR plus	951,303	664,312	479,016
- Cost plus	277,198	147,425	110,851
- Other variable rates	353,900	354,905	371,289
	1,965,961	1,463,172	964,203

(iv) By purpose

Purchase of securities	29,168	29,169	30,167
Purchase of transport vehicles	48	25	31
Purchase of landed property			
- Residential	36,996	15,142	15,308
- Non-residential	437,724	245,929	181,567
Purchase of fixed assets other than land and building	7,824	652	836
Personal use	66,290	61,172	17,333
Construction	16,274	18,759	11,358
Working capital	1,197,645	959,478	579,930
Other purpose	173,992	132,846	127,673
	1,965,961	1,463,172	964,203

(v) By residual contractual maturity - remaining

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Up to one month	542,400	452,638	396,571
More than one month to three months	187,219	152,314	170,177
More than three months to six months	396,713	217,429	12,099
More than six months to twelve months	127,236	127,527	-
More than twelve months	712,393	513,264	385,356
	1,965,961	1,463,172	964,203

6 LOANS AND ADVANCES (CONTINUED)

(vi) Impaired loans and advances

(a) Movement in impaired loans and advances

	Group and Bank	
	2012	2011
	RM'000	RM'000
At beginning of the financial year	93	2,921
Classified as impaired during the year	34,262	37
Amount recovered	(20,283)	(991)
Amount written-off	-	(1,874)
At end of the financial year	14,072	93
Individual impairment allowance	(11)	(11)
Net impaired loans and advances	14,061	82
Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	0.715%	0.006%

(b) By geographical

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Malaysia	14,072	93	2,921

(c) By purpose

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Purchase of residential property	87	93	58
Working capital	13,985	-	2,863
	14,072	93	2,921

6 LOANS AND ADVANCES (CONTINUED)

(vii) Movements in impairment allowance for loans and advances

	Group and Bank 31 December 2012 RM'000	31 December 2011 RM'000
Individual impairment allowance		
Balance as at 1 January	11	2,874
Allowance made during the financial year	-	-
Amount recovered	-	(989)
Amount write off	-	(1,874)
At end of the financial year	11	11
Collective impairment allowance		
Balance as at 1 January		
-As previously stated	22,337	17,466
-Effect on full adoption of MFRS	(5,845)	(930)
As restated	16,492	16,536
Allowance made during the financial year	6,320	4,871
Write back during the financial year	(2,003)	(4,915)
At the end of the financial year	20,809	16,492

7 OTHER ASSETS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other receivables	16,452	12,102	23,981
Sundry deposits	1,306	954	926
Prepayments	368	63	70
	18,126	13,119	24,977

7 OTHER ASSETS (CONTINUED)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other receivables	16,204	11,815	23,655
Sundry deposits	1,128	776	751
Prepayments	368	64	71
	17,700	12,655	24,477

8 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet.

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Deferred tax assets	3,042	5,504	5,324
Deferred tax liabilities	-	-	(27)
	3,042	5,504	5,297

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Deferred tax assets	2,907	5,478	5,324
Deferred tax liabilities	-	-	-
	2,907	5,478	5,324

8 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group		Bank	
	2012	2011	2012	2011
Balance as at 1 January				
- As previously stated	6,965	5,530	6,939	5,557
- Effect on full adoption of MFRS	(1,461)	(233)	(1,461)	(233)
As restated	5,504	5,297	5,478	5,324
(Charged)/credited to income statements (Note 24)	(2,462)	207	(2,571)	154
At end of the financial year	3,042	5,504	2,907	5,478

The movements in deferred tax assets and liabilities during the financial year are as follows:

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January				
- As previously stated	6,965	5,530	6,939	5,557
- Effect on full adoption of MFRS	(1,461)	(233)	(1,461)	(233)
As restated	5,504	5,297	5,478	5,324
(Charged)/credited to income statements (Note 24)	(2,462)	207	(2,571)	154
- property and equipment	108	104	(81)	68
- intangible assets	(51)	11	(52)	10
- provision for other liabilities	1,206	353	1,287	337
- collective impairment allowance on loans and advances	(4,123)	(11)	(4,123)	(11)
- unrecognised foreign exchange loss	398	(250)	398	(250)
At end of the financial year	3,042	5,504	2,907	5,478

8 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subject to income tax:-			
Collective impairment allowance on loans and advances	-	4,123	4,134
Provision for other liabilities	3,074	1,869	1,516
Unrealised foreign exchange loss	398	-	250
	3,472	5,992	5,900
Offsetting	(430)	(488)	(576)
Deferred tax assets (after offsetting)	3,042	5,504	5,324
Property and equipment	(378)	(486)	(590)
Intangible assets	(52)	(2)	(13)
	(430)	(488)	(603)
Offsetting	430	488	576
Deferred tax liabilities (after offsetting)	-	-	(27)

8 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Subject to income tax:-			
Collective impairment allowance on loans and advances	-	4,123	4,134
Provision for other liabilities	3,042	1,755	1,418
Unrealised foreign exchange loss	398	-	250
	3,440	5,878	5,802
Offsetting	(533)	(400)	(478)
Deferred tax assets (after offsetting)	2,907	5,478	5,324
Property and equipment	(480)	(399)	(467)
Intangible assets	(53)	(1)	(11)
	(533)	(400)	(478)
Offsetting	533	400	478
Deferred tax liabilities (after offsetting)	-	-	-

9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Statutory Deposits with Bank Negara Malaysia	40,200	17,700	2,100
	40,200	17,700	2,100

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised) 1994. The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

10 INVESTEMENT IN A SUBSIDIARY

	Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Unquoted shares, at cost, in Malaysia	1,000	1,000	1,000

The subsidiary of the Bank is as follow:

		Percentage of equity held		
Name	Principal Activities	31 December 2012	31 December 2011	1 January 2011
		%	%	%
China Bridge (Malaysia) Sdn Bhd (formery known as China Visa Services (Malaysia) Sdn Bhd)	Chinese visa application services	100	100	100

11 PROPERTY AND EQUIPMENT

Group

2012	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January	3,212	1,493	3,115	5,329	670	13,819
Additions	603	172	430	250	412	1,867
Disposals	-	-	-	-	-	-
Write-offs	-	-	(132)	(1)	-	(133)
At 31 December	3,815	1,665	3,413	5,578	1,082	15,553
Accumulated depreciation						
At 1 January	2,750	800	1,684	1,197	-	6,431
Charge for the financial year	339	251	473	538	-	1,601
Disposals	-	-	-	-	-	-
Write-offs	-	-	(131)	-	-	(131)
At 31 December	3,089	1,051	2,026	1,735	-	7,901
Net book value	726	614	1,387	3,843	1,082	7,652

11 PROPERTY AND EQUIPMENT (CONTINUED)

Group

2011	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January	3,092	1,633	3,123	5,284	-	13,132
Additions	120	-	43	45	670	878
Disposals	-	(140)	(9)	-	-	(149)
Write-offs	-	-	(42)	-	-	(42)
At 31 December	3,212	1,493	3,115	5,329	670	13,819
Accumulated depreciation						
At 1 January	2,422	699	1,269	679	-	5,069
Charge for the financial year	328	241	440	518	-	1,527
Disposals	-	(140)	-	-	-	(140)
Write-offs	-	-	(25)	-	-	(25)
At 31 December	2,750	800	1,684	1,197	-	6,431
Net book value	462	693	1,431	4,132	670	7,388

11 PROPERTY AND EQUIPMENT (CONTINUED)

Bank

2012	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January	2,974	1,493	2,762	4,360	670	12,259
Additions	590	172	407	250	412	1,831
Write-offs	-	-	(132)	(1)	-	(133)
Disposal	-	-	-	-	-	-
At 31 December	3,564	1,665	3,037	4,609	1,082	13,957
Accumulated depreciation						
At 1 January	2,599	800	1,541	1,008	-	5,948
Charge for the financial year	277	251	408	441	-	1,377
Write-offs	-	-	(131)	-	-	(131)
Disposal	-	-	-	-	-	-
At 31 December	2,876	1,051	1,818	1,449	-	7,194
Net book value	688	614	1,219	3,160	1,082	6,763

2011	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Work-in-progress RM'000	Total RM'000
Cost						
At 1 January	2,885	1,633	2,681	4,306	-	11,505
Additions	89	-	99	54	670	912
Write-offs	-	-	(18)	-	-	(18)
Disposal	-	(140)	-	-	-	(140)
At 31 December	2,974	1,493	2,762	4,360	670	12,259
Accumulated depreciation						
At 1 January	2,347	699	1,168	576	-	4,790
Charge for the financial year	252	241	389	432	-	1,314
Write-offs	-	-	(16)	-	-	(16)
Disposal	-	(140)	-	-	-	(140)
At 31 December	2,599	800	1,541	1,008	-	5,948
Net book value	375	693	1,221	3,352	670	6,311

12 INTANGIBLE ASSETS

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Computer Software				
Cost				
At 1 January	3,016	3,015	3,002	3,001
Additions	316	1	316	1
At 31 December	3,332	3,016	3,318	3,002
Accumulated amortisation				
At 1 January	3,007	2,963	2,997	2,958
Charge for the financial year	113	44	109	39
At 31 December	3,120	3,007	3,106	2,997
Net book value	212	9	212	5

13 DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	Group		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Demand deposits	195,003	151,051	129,803
Savings deposits	40,325	39,575	28,035
Fixed deposits	1,961,639	1,326,761	576,088
Negotiable instruments of deposits	-	-	80,156
Others	1,600	1,600	1,600
	2,198,567	1,518,987	815,682
Maturity structure of fixed deposits and negotiable instrument of deposits are as follows:			
Due within six months	1,403,760	907,425	565,491
Six months to one year	519,575	417,169	90,753
One year to three year	38,304	2,167	-
	1,961,639	1,326,761	656,244

13 DEPOSITS FROM CUSTOMERS

(i) By type of deposits (continued)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Demand deposits	200,725	157,761	137,235
Savings deposits	40,325	39,575	28,035
Fixed deposits	1,961,639	1,326,761	576,088
Negotiable instruments of deposits	-	-	80,156
Others	1,600	1,600	1,600
	2,204,289	1,525,697	823,114
Maturity structure of fixed deposits and negotiable instrument of deposits are as follows:			
Due within six months	1,403,760	907,425	565,491
Six months to one year	519,575	417,169	90,753
One year to three year	38,304	2,167	-
	1,961,639	1,326,761	656,244

(ii) By type of customer

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Government and statutory bodies	10,765	16,867	1,600
Business enterprises	1,283,008	843,708	535,374
Individuals	831,686	619,136	268,543
Others	73,108	39,276	10,165
	2,198,567	1,518,987	815,682

13 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customer (continued)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Government and statutory bodies	10,765	16,867	1,600
Business enterprises	1,288,730	850,418	542,806
Individuals	831,686	619,136	268,543
Others	73,108	39,276	10,165
	2,204,289	1,525,697	823,114

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bank Negara Malaysia	520,015	-	-
Licensed banks	1,327,582	985,659	940,413
Licensed investment banks	37	1,312	-
Other financial institutions	535	5	4
Licensed Islamic banks	567	3	-
	1,848,736	986,979	940,417

15 OTHER LIABILITIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Accrued expenses	10,791	7,679	5,810
Margin deposits	21,215	11,425	7,958
Other liabilities	35,692	16,371	40,787
	67,698	35,475	54,555

15 OTHER LIABILITIES (CONTINUED)

	Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Accrued expenses	10,029	7,169	5,153
Margin deposits	21,215	11,425	7,958
Other liabilities	35,151	15,770	39,686
	66,395	34,364	52,797

16 SHARE CAPITAL

	Group and Bank		
	Number of ordinary share of RM1.00 each		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Authorised:			
Ordinary shares of RM1 each	304,000	304,000	304,000
Issued and fully paid:			
Ordinary shares of RM1 each	304,000	304,000	304,000
Balance as at 31 December	304,000	304,000	304,000

	Group and Bank		
	Amount		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Authorised:			
Ordinary shares of RM1 each	304,000	304,000	304,000
Issued and fully paid:			
Ordinary shares of RM1 each	304,000	304,000	304,000
Balance as at 31 December	304,000	304,000	304,000

17 RESERVES

	Group 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Distributable:			
Retained profits			
- As previously stated	61,831	36,804	23,095
- Effect on full adoption of MFRS	-	4,384	697
As restated	61,831	41,188	23,792
Non-distributable:			
Statutory reserves	93,688	72,218	58,378
	155,519	113,406	82,170

	Bank 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Distributable:			
Retained profits			
- As previously stated	56,602	30,749	16,909
- Effect on full adoption of MFRS	-	4,384	697
As restated	56,602	35,133	17,606
Non-distributable:			
Statutory reserves	93,688	72,218	58,378
	150,290	107,351	75,984

(a) Subject to agreement by Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits as at 31 December 2012.

(b) The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

18 INTEREST INCOME

	Group and Bank 2012 RM'000	2011 RM'000
Loans and advances		
- Interest income other than recoveries	93,368	50,677
Money at call and deposit placement with financial institutions	63,742	33,789
Securities		
- Held-to-maturity securities	2,162	1,220
	159,272	85,686
Amortisation of premium less accretion of discount	(222)	42
Recoveries on interest in suspended	1,763	-
Total interest income	160,813	85,728

Interest income accrued on impaired financial assets is nil (2011 : RM3,375.00).

19 INTEREST EXPENSE

	Group and Bank 2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	42,729	14,099
Deposits from customers	55,781	33,131
Others	91	83
	98,601	47,313

20 OTHER OPERATING INCOME

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fees income:				
- Fee on loans and advances	7,575	2,854	7,575	2,854
- Service charges and fees	16,967	17,625	6,124	6,157
- Guarantee fees	3,482	2,880	3,482	2,880
	28,024	23,359	17,181	11,891
Foreign exchange income:				
- Realised	10,624	9,941	10,624	9,941
- Unrealised	(662)	140	(662)	140
(Loss)/gain on revaluation of derivatives	(230)	48	(230)	48
Gain from disposal of property and equipment	-	30	-	30
Other income				
- Dividend income	-	-	5,800	6,100
- Others	122	4	242	119
	37,878	33,522	32,955	28,269

21 OTHER OPERATING EXPENSES

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries and wages (includes CEO/EDs)	13,892	10,643	12,291	9,344
Bonus	6,700	4,921	5,884	4,435
Defined contribution plan ('EPF')	2,669	1,838	2,517	1,769
Staff welfare expenses	822	717	710	583
Other personnel costs	1,276	1,384	1,107	1,327
	25,359	19,503	22,509	17,458
Marketing expenses				
Entertainment	644	770	600	726
Other	253	116	243	114
	897	886	843	840
Establishment costs				
Rental of premises	3,660	3,304	3,043	2,673
Depreciation of property and equipment (Note 11)	1,602	1,527	1,377	1,314
Amortisation of intangible assets (Note 12)	112	44	109	39
Repairs and maintenance	604	541	597	525
Property and equipment written off	2	17	2	2
Other establishment costs	1,908	1,575	1,824	1,440
	7,888	7,008	6,952	5,993
Administration and general expenses				
Insurance premium	200	220	194	218
Travelling and accommodation	1,052	483	986	481
Telecommunication and utilities	601	544	556	499
Printing, stationery and postage	648	520	590	456
Legal and professional fees	283	203	276	192
Other administration and general expenses	1,861	2,130	1,754	2,040
	4,645	4,100	4,356	3,886
	38,789	31,497	34,660	28,177

21 OTHER OPERATING EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory	262	194	225	159
- others	40	75	40	75
Directors' remuneration (Note 22)	1,322	1,112	1,322	1,112

22 DIRECTORS' REMUNERATION

The Directors who have held office during the period since the date of the last report and at the date of this report are as follows:

Executive Directors

Wang Hongwei	(Appointed on 18 January 2013)
Zheng Jingbo	(Resigned on 18 January 2013)

Non Executive Directors

Zheng Weiping	
Tan Siak Tee	
Datuk Ter Leong Yap	
Liu Lijing	(Appointed on 04 June 2012)
Chai Woon Chew, Michael	(Appointed on 10 December 2012)
Zhang Lianli	(Resigned on 13 March 2012)
Du Chaohua	(Resigned on 26 April 2012)
Gao Xingmao	(Resigned on 03 September 2012)

	Group and Bank	
	2012	2011
	RM'000	RM'000
Executive Directors		
- salary and other remuneration	563	524
- bonus	472	304
- benefits-in-kind	77	94
	1,112	922

22 DIRECTORS' REMUNERATION (CONTINUED)

	Group and Bank	
	2012	2011
	RM'000	RM'000
Non Executive Directors		
Fees		
- Tan Siak Tee	130	130
- Datuk Ter Leong Yap	80	60
	210	190
	1,322	1,112

The remuneration attributable to the Executive Director/Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM1,113,480 (2011: RM921,644).

The number of Directors of the Bank whose total remuneration including benefits-in-kind for the financial year falls into the following remuneration bands:

	Group and Bank Number of Directors	
	2012	2011
Executive Directors		
RM500,000 – RM1,000,000	-	1
RM1,00,001 – RM1,500,000	1	-
Non-Executive Directors		
RM50,001 – RM100,000	1	1
RM100,001 - RM150,000	1	1

23 ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	Group and Bank	
	2012	2011
	RM'000	RM'000
Allowance for impaired loans and advances		
(a) Individual impairment allowance		
- written-back	-	(989)
(b) Collective impairment allowance		
- made during the financial year	6,320	4,871
- written back	(2,003)	(4,915)
	4,317	(1,033)

24 TAXATION

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Malaysian income tax:				
- Current tax	12,269	11,132	10,482	8,967
- Deferred tax (Note 8)	2,462	(207)	2,571	(154)
	14,731	10,925	13,053	8,813
Over /(Under) provision in prior years	140	(688)	198	(640)
	14,871	10,237	13,251	8,173

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Profit before taxation	56,984	41,473	56,190	39,540
Statutory tax rate in Malaysia (2012: 25%, 2011: 25%)	14,246	10,368	14,048	9,885
Tax effect in respect of:				
Non-allowable expenses	342	347	304	211
Non-taxable income	-	(315)	(1,450)	(1,840)
Over /(Under) provision in prior years	140	(688)	198	(640)
Other temporary differences not recognised	143	525	151	557
Tax expense	14,871	10,237	13,251	8,173

25 EARNINGS PER SHARE

The basic and fully diluted earnings per ordinary share for the Group and the Bank have been calculated based on the net profit attributable to equity holders of the Group and the Bank and weighted average number of ordinary shares in issue during the financial year.

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Net profit attributable to equity holders of the Group/Bank	42,113	31,236	42,939	31,367
Weighted average number of ordinary shares in issue	304,000	304,000	304,000	304,000
Basic/fully diluted earnings per share (sen)	13.9	10.3	14.1	10.3

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties that have transactions and their relationship with the Group and Bank are as follows:

Related party	Relationship
China Investment Corporation	Ultimate holding company
Bank of China Limited	Holding company
Bank of China (Sydney)	Fellow subsidiary
Bank of China (Toronto)	Fellow subsidiary
Bank of China (Tokyo)	Fellow subsidiary
Bank of China (Frankfurt)	Fellow subsidiary
Bank of China (Singapore)	Fellow subsidiary
Bank of China (London)	Fellow subsidiary
Bank of China (New York)	Fellow subsidiary
Bank of China (Hong Kong)	Fellow subsidiary
Bank of China (Macau)	Fellow subsidiary
China Bridge (Malaysia) Sdn Bhd (formery known as China Visa Services (Malaysia) Sdn Bhd)	Subsidiary

(a) Related party transactions

Significant transactions of the Bank with its related parties are as follows:

	Holding Company RM'000	Fellow subsidiaries RM'000	Key management personnel RM'000
Group			
2012			
INCOME			
Interest income:			
- Deposits and placements with bank and other financial institution	4	33,036	-
- Housing loan	-	-	10
	4	33,036	10
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institution	-	20,044	-
- Deposits from customer	-	-	52
Administrative expenses	-	794	-
	-	20,838	52

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Holding Company RM'000	Fellow subsidiaries RM'000	Key management personnel RM'000
Group			
2011			
INCOME			
Interest income:			
- Deposits and placements with bank and other financial institution	3	7,782	-
- Housing loan	-	-	13
	3	7,782	13
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institution	-	4,932	-
- Deposits from customer	-	-	29
Administrative expenses	-	838	-
	-	5,770	29

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Holding Company RM'000	Fellow subsidiaries and subsidiary RM'000	Key management personnel RM'000
Bank			
2012			
INCOME			
Interest income:			
- Deposits and placements with bank and other financial institution	4	33,036	-
- Housing loan	-	-	10
Other income	-	120	-
	4	33,156	10
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institution	-	20,044	-
- Deposits from customer	-	-	37
Administrative expenses	-	794	-
	-	20,838	37
2011			
INCOME			
Interest income:			
- Deposits and placements with bank and other financial institution	3	7,782	-
- Housing loan	-	-	13
Other income	-	120	-
	3	7,902	13
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institution	-	4,932	-
- Deposits from customer	-	-	24
Administrative expenses	-	900	-
	-	5,832	24

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

The related party transactions are conducted at arm's length basis and on normal commercial terms, which are not more favourable than those generally available to the public.

(b) Related party balances

Significant outstanding balances of the Group with its related parties are as follows:

Group	Holding Company RM'000	Fellow subsidiaries RM'000	Key management personnel RM'000
31 December 2012			
AMOUNT DUE FROM			
Deposits and placements with banks and other financial institutions	2,509	1,294,554	-
Housing loan	-	-	529
	2,509	1,294,554	529
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	755,343	-
Deposits from customers	-	-	1,812
	-	755,343	1,812

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

Significant outstanding balances of the Group with its related parties are as follows (continued):

Group	Holding Company RM'000	Fellow subsidiaries RM'000	Key management personnel RM'000
31 December 2011			
AMOUNT DUE FROM			
Deposits and placements with banks and other financial institutions	8,828	447,279	-
Housing loan	-	-	287
	8,828	447,279	287
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	470,078	-
Deposits from customers	-	-	1,936
	-	470,078	1,936
1 January 2011			
AMOUNT DUE FROM			
Advances	6,075	529,160	-
Housing loan	-	-	343
	6,075	529,160	343
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	339,842	-
Deposits from customers	-	7,432	6,622
	-	347,274	6,622

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

Significant outstanding balances of the Bank with its related parties are as follows (continued) :

Bank	Holding Company RM'000	Fellow subsidiaries and subsidiary RM'000	Key management personnel RM'000
31 December 2012			
AMOUNT DUE FROM			
Deposits and placements with banks and other financial institutions	2,509	1,294,554	-
Housing loan	-	-	229
	2,509	1,294,554	229
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	755,343	-
Deposits from customers	-	5,722	1,425
	-	761,065	1,425
31 December 2011			
AMOUNT DUE FROM			
Deposits and placements with banks and other financial institutions	8,828	447,279	-
Housing loan	-	-	287
	8,828	447,279	287
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	470,078	-
Deposits from customers	-	6,710	1,496
	-	476,788	1,496

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

Significant outstanding balances of the Bank with its related parties are as follows (continued):

Bank	Holding Company RM'000	Fellow subsidiaries and subsidiary RM'000	Key management personnel RM'000
1 January 2011			
AMOUNT DUE FROM			
Advances	6,075	529,160	-
Housing loan	-	-	343
	6,075	529,160	343
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	-	339,842	-
Deposits from customers	-	7,432	6,511
	-	347,274	6,511

Included in the table above are deposits payable to the Directors of the Group and of the Bank amounting to RM1,367,715 and RM984,393 respectively (31 December 2011: RM1,593,152 and RM1,447,768, 1 January 2011: RM6,576,769 and RM6,501,662).

26 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Key management personnel compensation

The remuneration of Directors and other key management personnel [(1)] during the financial year are as follows:

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Fees	210	196	210	196
Salaries and other short-term benefits	3,772	2,763	2,719	2,058
Benefits-in-kind	172	171	146	149
	4,154	3,130	3,075	2,403

Included in the above table are Directors' remuneration as disclosed in Note 22.

(1) Key management personnel include the Directors of the Group and the Bank and senior management of the Group and the Bank.

27 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

Connected party refers to director, controlling shareholder, executive officer, officer who is responsible for or has the authority to appraise and/or approve credit transactions or review the status of existing credit transactions and any transactions that involve their close relative and any firm, partnerships, companies or any legal entities controlled by them.

Pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008, the Bank is required to disclose the following information:

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	(RM'000)	(RM'000)	(RM'000)
Outstanding credit exposures with connected parties	352,460	240,580	190,262
Outstanding credit exposures with connected parties as a percentage of total credit exposures	15%	14%	13%
Percentage of outstanding credit exposures with connected parties which are non-performing or in default	0%	0%	0%

28 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions, and hence are not provided for in the financial statements.

The commitments and contingencies constitute the following:

	Group and Bank								
	31 December 2012			31 December 2011			1 January 2011		
	Principal	Credit equivalent	Risk weighted	Principal	Credit equivalent	Risk weighted	Principal	Credit equivalent	Risk weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-	-	-	-	540	540	540
Transaction-related contingent items	749,679	374,840	187,821	593,217	296,608	147,257	534,458	267,229	132,439
Short-term self liquidation trade related contingencies	12,511	2,502	2,502	2,676	535	524	1,126	225	203
Irrevocable commitments to extend credit:									
- Maturity not exceeding one year	446,220	89,244	89,050	318,085	63,617	63,211	434,649	86,930	86,461
- Maturity exceeding one year	297,957	148,979	142,590	135,816	67,908	67,138	428,576	214,288	136,676
Foreign exchange related contracts:									
- Less than one year	651,493	7,691	1,538	5,710	-	-	12,744	-	-
Others	4,927	-	-	7,841	-	-	16,548	-	-
	2,162,787	623,256	423,501	1,063,345	428,668	278,130	1,428,641	569,212	356,319

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

29 LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the non-cancellable long term commitments is as follows:

	Group			Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Not later than 1 year	3,125	3,573	3,031	2,490	2,636	2,411
Later than 1 year but not later than 5 years	2,782	2,003	3,943	1,578	1,959	3,426
	5,907	5,576	6,974	4,068	4,595	5,837

30 CAPITAL COMMITMENTS

	Group			Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Capital expenditure for property and equipment - approved by the Board and contracted for	1,176	300	-	1,176	300	-

31 CAPITAL ADEQUACY

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Tier-1 capital			
Paid-up ordinary share capital	304,000	304,000	304,000
Retained profit	56,602	35,133	17,606
Other reserves	93,688	72,218	58,378
	454,290	411,351	379,984
Less: Deferred tax assets	(2,907)	(5,478)	(5,324)
Total tier-1 capital	451,383	405,873	374,660
Tier-2 capital			
Collective impairment allowance	20,809	16,492	16,536
Total tier-2 capital	20,809	16,492	16,536
Less:			
Investment in subsidiary company	(1,000)	(1,000)	(1,000)
Total capital base	471,192	421,365	390,196
Capital ratios			
Before deducting proposed dividends			
Core capital ratio	17.4%	23.0%	25.6%
Risk-weighted capital ratio	18.2%	23.9%	26.7%
After deducting proposed dividends			
Core capital ratio	17.4%	23.0%	25.6%
Risk-weighted capital ratio	18.2%	23.9%	26.7%

31 CAPITAL ADEQUACY (CONTINUED)

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Credit risk	2,457,036	1,669,138	1,377,555
Market risk	9,936	4,591	4,300
Operational risk	123,294	91,096	81,759
	2,590,266	1,764,825	1,463,614

Pursuant to BNM's circular "Recognition of Deferred Tax Assets ('DTA') and treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier 1 capital and deferred tax assets is excluded from the calculation of risk weighted assets.

The Bank implemented Basel II – Risk Weighted Assets Computation under the BNM's Risk-weighted Capital Adequacy Framework ('RWCAF') with effect from 1 January 2008. The Bank has adopted the Standardised Approach for credit risk and market risk, and the basic indicator approach for operational risk.

32 FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The objectives of the Bank's financial risk management is to establish an integrated risk management system which will help evaluate risk with reward and maximise income within an acceptable risk level through risk identification, measurement, monitoring and management.

The Board of Directors and our holding company, Bank of China Limited approves the extent of the Bank's risk appetite in the pursuit of agreed business strategies and objectives. The Board of Directors also approves risk limits and regularly reviews major policies designed to control risk within the Bank.

(b) Credit Risk

Credit risk is the risk of financial loss that results from customers failing to meet their obligations. Credit risk arises primarily from lending activities and represents the major risk of the Bank. The Board of Directors of the Bank approves major policies and limits that govern monitoring of the credit risk. The Board of Directors delegates authorities to the Risk Management and Internal Control Committee ('RMICC') for overseeing the credit risk of the Bank.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to one borrower, or group of borrowers and industry segments. Such risks are monitored on a regular basis and are subject to annual or more frequent review. Limits on the single customer, by group of customers, by industry sectors and other procedures set by the relevant authorities and holding company were adopted by the Bank for monitoring of the credit risks.

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (continued)

Maximum exposure to credit risk

For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount in the statement of financial position. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Group			
Items recognised in the statements of financial position			
Cash and short-term funds	1,929,445	1,206,298	1,173,318
Loans and advances	1,945,141	1,446,669	944,793
Other assets	18,126	13,119	24,977
Derivative assets	629	2	7
	3,893,341	2,666,088	2,143,095
Items not recognised in the statements of financial position			
Contingent liabilities	762,190	595,893	536,124
Credit commitments	744,177	453,901	863,225
Foreign exchange related contracts	651,493	5,710	12,744
Total maximum credit risk exposure	6,051,201	3,721,592	3,555,188

32 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (continued)

Maximum exposure to credit risk (continued)

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Bank			
Items recognised in the statements of financial position			
Cash and short-term funds	1,929,298	1,206,248	1,173,316
Loans and advances	1,945,141	1,446,669	944,793
Other assets	17,700	12,655	24,477
Derivative assets	629	2	7
	3,892,768	2,665,574	2,142,593
Items not recognised in the statements of financial position			
Contingent liabilities	762,190	595,893	536,124
Credit commitments	744,177	453,901	863,225
Foreign exchange related contracts	651,493	5,710	12,744
Total maximum credit risk exposure	6,050,628	3,721,078	3,554,686

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans and advances for the Group and the Bank is 91% (31 December 2011: 82%, 1 January 2011: 60%). The financial effect of collateral held for the remaining on balance sheet financial assets are insignificant.

BANK OF CHINA (MALAYSIA) BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
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32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector:

Group 31 December 2012	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	87,933	-	87,933	7,052
Mining and quarrying	-	-	13,409	-	13,409	1,518
Manufacturing	-	-	374,602	-	374,602	92,290
Electricity, gas and water supply	-	-	20,836	-	20,836	5,486
Construction	-	-	155,326	-	155,326	118,426
Real estate	-	-	275,981	-	275,981	66,675
Research and Development	-	-	1,905	-	1,905	6
Wholesale and retail trade and restaurants and hotels	-	-	112,600	-	112,600	32,777
Transport, storage and communication	-	-	45,071	-	45,071	159,928
Finance, insurance and business services	1,394,242	20,056	137,907	629	1,552,834	22,270
Household	-	-	186,609	-	186,609	55,503
Government and government agencies	1,085,057	41,101	-	40,200	1,166,358	-
Education, health and others	-	-	4,693	-	4,693	120
Others	-	-	549,089	-	549,089	61,205
	2,479,299	61,157	1,965,961	40,829	4,547,246	623,256
Assets not subject to credit risk	14,695	-	-	34,265	48,960	-
	2,493,994	61,157	1,965,961^	75,094#	4,596,206	623,256

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM20,809,045 and RM11,266 respectively.
# Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets,derivative assets and tax recoverable.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector (continued):

Group 31 December 2011	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	90,559	-	90,559	3,159
Mining and quarrying	-	-	8,941	-	8,941	1,747
Manufacturing	-	-	301,774	-	301,774	56,481
Electricity, gas and water supply	-	-	9,020	-	9,020	11,352
Construction	-	-	60,975	-	60,975	129,266
Real estate	-	-	99,275	-	99,275	18,952
Research and Development	-	-	3,717	-	3,717	339
Wholesale and retail trade and restaurants and hotels	-	-	87,605	-	87,605	21,826
Transport, storage and communication	-	-	52,067	-	52,067	154,547
Finance, insurance and business services	472,764	-	137,563	2	610,329	7,191
Household	-	-	113,829	-	113,829	23,560
Government and government agencies	947,910	40,413	-	17,700	1,006,023	-
Education, health and others	-	-	1,272	-	1,272	248
Others	-	-	496,575	-	496,575	-
	1,420,674	40,413	1,463,172	17,702	2,941,961	428,668
Assets not subject to credit risk	8,910	-	-	26,020	34,930	-
	1,429,584	40,413	1,463,172^	43,722#	2,976,891	428,668

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM16,491,496 and RM11,266 respectively.
# Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets and derivative assets.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector (continued):

Group 1 January 2011	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	67,413	-	67,413	10,774
Mining and quarrying	-	-	4,307	-	4,307	2,525
Manufacturing	-	-	206,179	-	206,179	72,383
Electricity, gas and water supply	-	-	2,373	-	2,373	14,240
Construction	-	-	36,672	-	36,672	120,285
Real estate	-	-	73,356	-	73,356	16,746
Wholesale and retail trade and restaurants and hotels	-	-	60,750	-	60,750	19,712
Transport, storage and communication	-	-	42,175	-	42,175	128,291
Finance, insurance and business services	535,282	-	174,931	7	710,220	173,942
Household	-	-	47,394	-	47,394	10,167
Government and government agencies	628,082	40,225	-	2,100	670,407	-
Education, health and others	-	-	1,464	-	1,464	147
Others	-	-	247,189	-	247,189	-
	1,163,364	40,225	964,203	2,107	2,169,899	569,212
Assets not subject to credit risk	9,954	-	-	38,416	48,370	-
	1,173,318	40,225	964,203^	40,523#	2,218,269	569,212

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM16,535,793 and RM2,874,000 respectively.

Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets and derivative assets.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector (continued):

Bank 31 December 2012	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	87,933	-	87,933	7,052
Mining and quarrying	-	-	13,409	-	13,409	1,518
Manufacturing	-	-	374,602	-	374,602	92,290
Electricity, gas and water supply	-	-	20,836	-	20,836	5,486
Construction	-	-	155,326	-	155,326	118,426
Real estate	-	-	275,981	-	275,981	66,675
Research and Development	-	-	1,905	-	1,905	6
Wholesale and retail trade and restaurants and hotels	-	-	112,600	-	112,600	32,777
Transport, storage and communication	-	-	45,071	-	45,071	159,928
Finance, insurance and business services	1,394,096	20,056	137,907	629	1,552,698	22,270
Household	-	-	186,609	-	186,609	55,503
Government and government agencies	1,085,057	41,101	-	40,200	1,166,358	-
Education, health and others	-	-	4,693	-	4,693	120
Others	-	-	549,089	-	549,089	61,205
	2,479,153	61,157	1,965,961	40,829	4,547,110	623,256
Assets not subject to credit risk	14,694	-	-	33,602	48,296	-
	2,493,847	61,157	1,965,961^	74,431#	4,595,406	623,256

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM20,809,045 and RM11,266 respectively.
# Other assets include intangible assets, property and equipment, investment in subsidiary, statutory deposits with BNM, deferred tax assets, derivative assets and tax recoverable.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector (continued):

Bank 31 December 2011	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	90,559	-	90,559	3,159
Mining and quarrying	-	-	8,941	-	8,941	1,747
Manufacturing	-	-	301,774	-	301,774	56,481
Electricity, gas and water supply	-	-	9,020	-	9,020	11,352
Construction	-	-	60,975	-	60,975	129,266
Real estate	-	-	99,275	-	99,275	18,952
Research and Development	-	-	3,717	-	3,717	339
Wholesale and retail trade and restaurants and hotels	-	-	87,605	-	87,605	21,826
Transport, storage and communication	-	-	52,067	-	52,067	154,547
Finance, insurance and business services	472,716	-	137,563	2	610,281	7,191
Household	-	-	113,829	-	113,829	23,560
Government and government agencies	947,910	40,413	-	17,700	1,006,023	-
Education, health and others	-	-	1,272	-	1,272	248
Others	-	-	496,575	-	496,575	-
	1,420,626	40,413	1,463,172	17,702	2,941,913	428,668
Assets not subject to credit risk	8,908	-	-	25,449	34,357	-
	1,429,534	40,413	1,463,172^	43,151#	2,976,270	428,668

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM16,491,496 and RM11,266 respectively.

Other assets include intangible assets, property and equipment, investment in subsidiary, statutory deposits with BNM, deferred tax assets and derivative assets.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

The following tables set out the credit risk concentrations by sector (continued):

Bank 1 January 2011	Short-term funds and placements with financial institutions RM'000	Held-to-maturity securities RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Primary agriculture	-	-	67,413	-	67,413	10,774
Mining and quarrying	-	-	4,307	-	4,307	2,525
Manufacturing	-	-	206,179	-	206,179	72,383
Electricity, gas and water supply	-	-	2,373	-	2,373	14,240
Construction	-	-	36,672	-	36,672	120,285
Real estate	-	-	73,356	-	73,356	16,746
Wholesale and retail trade and restaurants and hotels	-	-	60,750	-	60,750	19,712
Transport, storage and communication	-	-	42,175	-	42,175	128,291
Finance, insurance and business services	535,282	-	174,931	7	710,220	173,942
Household	-	-	47,394	-	47,394	10,167
Government and government agencies	628,082	40,225	-	2,100	670,407	-
Education, health and others	-	-	1,464	-	1,464	147
Others	-	-	247,189	-	247,189	-
	1,163,364	40,225	964,203	2,107	2,169,899	569,212
Assets not subject to credit risk	9,952	-	-	37,792	47,744	-
	1,173,316	40,225	964,203^	39,899#	2,217,643	569,212

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM16,535,793 and RM2,874,000 respectively.
# Other assets include intangible assets, property and equipment, investment in subsidiary, statutory deposits with BNM, deferred tax assets and derivative assets.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

Collateral

Where possible, the Bank takes collateral as a secondary recourse to the borrower. Collaterals include properties, debentures, stock and shares, fixed deposits and cash margin.

Loans and advances

Loans and advances are summarised as follows:

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Neither past due nor impaired	1,938,326	1,410,135	959,172
Past due but not impaired	13,563	52,944	2,110
Impaired	14,072	93	2,921
Gross loans and advances	1,965,961	1,463,172	964,203
Less: Individual impairment allowance	(11)	(11)	(2,874)
Collective impairment allowance	(20,809)	(16,492)	(16,536)
Net loans and advances	1,945,141	1,446,669	944,793

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

Gross loans and advances which are neither past due nor impaired are identified into the following credit levels:

- "AAA – A" refers to customers have a good credit status, low probability of default within the next year, strong repayment capability and limited credit risks.

- "BBB – B" refers to customers have a good credit status, relatively low probability of default within the next year, guaranteed repayment capability and uncertainties in their risk.

- "CCC – C" refers to customers have a poor credit status, high probability of defaults within the next year, poor operating condition and financial status and significant credit risks.

- "D" refers to customers have defaulted by the time of rating. Customers that have defaulted are directly rated D.

The following table sets out an analysis of loans and advances by internal credit grading which are not past due and for which no individual impairment allowance has been raised.

	Group and Bank		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
AAA – A	536,538	359,620	299,018
BBB – B	676,210	447,364	472,401
CCC – C	526,450	132,049	140,805
Unrated	199,128	471,102	46,948
	1,938,326	1,410,135	959,172

Loans and advances classified as non-rated mainly comprise of personal loans, cash backed facilities and other non-rated loans.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

Loans and advances (continued)

(ii) Loans and advances past due but not impaired

The following table sets out the ageing of loans and advances which are past due and for which no individual impairment allowance has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired. Individual impairment allowance is generally raised at 90 days past due and any other events occurred as per the policies.

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Between 1 – 30 days past due	1,749	18,427	-
Between 31 – 60 days past due	7,160	7,400	286
Between 61 – 90 days past due	4,654	27,117	1,824
	13,563	52,944	2,110

(iii) Loans and advances impaired

Loans and advances that are individually determined to be impaired as at 31 December 2012 are as follows:

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
Corporate	13,985	-	2,863
Individual	87	93	58
	14,072	93	2,921

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

Financial assets other than loans and advances

All financial assets other than loans and advances for the Group and the Bank were neither past due nor impaired.

The tables below presents an analysis of financial assets other than loans and advances by rating agency designation as at 31 December 2012, based on RAM ratings or their equivalent:

Group 31 December 2012	Short term funds RM'000	Deposits and placements with banks and other FIs RM'000	Held-to maturity securities RM'000	Other assets RM'000
AA3/A-/A	1,961	-	-	-
A1/BBB+/A-	862,546	499,544	20,056	-
A3	30,191	-	-	-
Unrated				
- Bank Negara Malaysia	1,020,052	65,005	41,101	40,200
- Others	-	-	-	629
	1,914,750	564,549	61,157	40,829

31 December 2011	Short term funds RM'000	Deposits and placements with banks and other FIs RM'000	Held-to maturity securities RM'000	Other assets RM'000
AA3/A-/A	981	-	-	-
A1/BBB+/A-	234,485	223,286	-	-
A3	14,011	-	-	-
Unrated				
- Bank Negara Malaysia	947,911	-	40,413	17,700
- Others	-	-	-	2
	1,197,388	223,286	40,413	17,702

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk (continued)

Financial assets other than loans and advances (continued)

1 January 2011	Short term funds	Deposits and placements with banks and other FIs	Held-to maturity securities	Other assets
	RM'000	RM'000	RM'000	RM'000
AA3/A-/A	729	-	-	-
A1/BBB+/A-	534,545	-		-
A3	7	-	-	-
Unrated				
- Bank Negara Malaysia	628,082	-	40,225	2,100
- Others	-	-	-	7
	1,163,363	-	40,225	2,107

Bank

31 December 2012	Short term funds	Deposits and placements with banks and other FIs	Held-to maturity securities	Other assets
	RM'000	RM'000	RM'000	RM'000
AA3/A-/A	1,961	-	-	-
A1/BBB+/A-	862,401	499,544	20,056	-
A3	30,191	-	-	-
Unrated				
- Bank Negara Malaysia	1,020,052	65,005	41,101	40,200
- Others	-	-	-	629
	1,914,605	564,549	61,157	40,829

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit risk (continued)

Financial assets other than loans and advances (continued)

31 December 2011	Short term funds RM'000	Deposits and placements with banks and other FIs RM'000	Held-to maturity securities RM'000	Other assets RM'000
AA3/A-/A	981	-	-	-
A1/BBB+/A-	234,437	223,286	-	-
A3	14,011	-	-	-
Unrated				
- Bank Negara Malaysia	947,911	-	40,413	17,700
- Others	-	-	-	2
	1,197,340	223,286	40,413	17,702

1 January 2011	Short term funds RM'000	Deposits and placements with banks and other FIs RM'000	Held-to maturity securities RM'000	Other assets RM'000
AA3/A-/A	729	-	-	-
A1/BBB+/A-	534,545	-		-
A3	7	-	-	-
Unrated				
- Bank Negara Malaysia	628,082	-	40,225	2,100
- Others	-	-	-	7
	1,163,363	-	40,225	2,107

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk

Liquidity risk is the potential inability of the Bank to meet its payment obligations. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives.

The objective of the liquidity policy of the Bank is to ensure that the Bank is able to meet its financial obligations, whether such obligations are scheduled or unforeseen. The Bank has set a limit on the minimum proportion of maturing funds available to meet such calls, and complies with the limits set by Bank Negara Malaysia under the New Liquidity Framework and relevant procedures set by the holding company.

The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank has always complied with the liquidity compliance requirement as agreed by Bank Negara Malaysia under the first two time buckets for “up to 1 week” and “>1 week to 1 month”.

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2012 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Group 31 December 2012	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	890,816	1,038,629	-	-	-	-	1,929,445
Deposits and placements with banks and other financial institutions	-	-	213,452	351,097	-	-	564,549
Derivative assets	360	249	20	-	-	-	629
Held-to-maturity securities	10,023	10,034	520	-	-	40,580	61,157
Loans and advances	232,805	309,594	187,219	396,713	127,236	691,574	1,945,141
Other assets	16,442	377	-	-	9,191	48,455	74,465
Total assets	1,150,446	1,358,883	401,211	747,810	136,427	780,609	4,575,386
Deposits from customers	456,237	717,679	215,129	251,642	519,575	38,305	2,198,567
Deposits and placements of banks and other financial institutions	114,640	938,004	82,392	559,916	153,784	-	1,848,736
Derivative liabilities	4	380	42	440	-	-	866
Other liabilities	13,615	43,278	811	-	9,994	-	67,698
Total liabilities	584,496	1,699,341	298,374	811,998	683,353	38,305	4,115,867
Net liquidity gap- Total assets less total liabilities	565,950	(340,458)	102,837	(64,188)	(546,926)	742,304	459,519

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2011 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Group 31 December 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	895,389	310,909	-	-	-	-	1,206,298
Deposits and placements with banks and other financial institutions	-	-	5,179	202,543	15,564	-	223,286
Derivative assets	2	-	-	-	-	-	2
Held-to-maturity securities	-	-	40,413	-	-	-	40,413
Loans and advances	198,209	254,429	152,314	217,429	127,527	496,761	1,446,669
Other assets	11,915	250	-	-	6,280	25,275	43,720
Total assets	1,105,515	565,588	197,906	419,972	149,371	522,036	2,960,388
Deposits from customers	354,003	309,270	211,214	225,163	417,169	2,168	1,518,987
Deposits and placements of banks and other financial institutions	146,364	238,685	153,339	322,664	125,927	-	986,979
Derivative liabilities	9	-	-	-	-	-	9
Other liabilities	6,644	21,243	482	1,170	7,468	-	37,007
Total liabilities	507,020	569,198	365,035	548,997	550,564	2,168	2,542,982
Net liquidity gap- Total assets less total liabilities	598,495	(3,610)	(167,129)	(129,025)	(401,193)	519,868	417,406

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 1 January 2011 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Group 1 January 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	1,143,307	30,011	-	-	-	-	1,173,318
Derivative assets	7	-	-	-	-	-	7
Held-to-maturity securities	-	-	-	40,225	-	-	40,225
Loans and advances	129,695	266,876	170,177	12,099	-	365,713	944,560
Other assets	26,040	113	-	-	6,308	8,288	40,749
Total assets	1,299,049	297,000	170,177	52,324	6,308	374,001	2,198,859
Deposits from customers	328,727	215,489	160,986	18,127	92,353	-	815,682
Deposits and placements of banks and other financial institutions	483,297	288,713	168,407	-	-	-	940,417
Derivative liabilities	8	3	51	-	-	-	62
Other liabilities	5,495	43,018	772	103	7,140	-	56,528
Total liabilities	817,527	547,223	330,216	18,230	99,493	-	1,812,689
Net liquidity gap- Total assets less total liabilities	481,522	(250,223)	(160,039)	34,094	(93,185)	374,001	386,170

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2012 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Bank 31 December 2012	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	890,669	1,038,629	-	-	-	-	1,929,298
Deposits and placements with banks and other financial institutions	-	-	213,452	351,097	-	-	564,549
Derivative assets	360	249	20	-	-	-	629
Held-to-maturity securities	10,023	10,034	520	-	-	40,580	61,157
Loans and advances	232,805	309,594	187,219	396,713	127,236	691,574	1,945,141
Other assets	16,195	377	-	-	9,055	48,175	73,802
Financial assets	1,150,052	1,358,883	401,211	747,810	136,291	780,329	4,574,576
Deposits from customers	461,959	717,679	215,129	251,642	519,575	38,305	2,204,289
Deposits and placements of banks and other financial institutions	114,640	938,004	82,392	559,916	153,784	-	1,848,736
Derivative liabilities	4	380	42	440	-	-	866
Other liabilities	13,610	42,757	-	-	10,028	-	66,395
Financial liabilities	590,213	1,698,820	297,563	811,998	683,387	38,305	4,120,286
Net liquidity gap- financial assets less financial liabilities	559,839	(339,937)	103,648	(64,188)	(547,096)	742,024	454,290

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2011 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Bank 31 December 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	895,339	310,909	-	-	-	-	1,206,248
Deposits and placements with banks and other financial institutions	-	-	5,179	202,543	15,564	-	223,286
Derivative assets	2	-	-	-	-	-	2
Held-to-maturity securities	-	-	40,413	-	-	-	40,413
Loans and advances	198,209	254,429	152,314	217,429	127,527	496,761	1,446,669
Other assets	11,629	250	-	-	6,254	25,016	43,149
Financial assets	1,105,179	565,588	197,906	419,972	149,345	521,777	2,959,767
Deposits from customers	360,713	309,270	211,214	225,163	417,169	2,168	1,525,697
Deposits and placements of banks and other financial institutions	146,364	238,685	153,339	322,664	125,927	-	986,979
Derivative liabilities	9	-	-	-	-	-	9
Other liabilities	6,644	20,551	-	1,200	7,336	-	35,731
Financial liabilities	513,730	568,506	364,553	549,027	550,432	2,168	2,548,416
Net liquidity gap- financial assets less financial liabilities	591,449	(2,918)	(166,647)	(129,055)	(401,087)	519,609	411,351

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below analyses assets and liabilities (includes non financial instruments) as at 1 January 2011 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM GP8:

Bank 1 January 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	1,143,305	30,011	-	-	-	-	1,173,316
Derivative assets	7	-	-	-	-	-	7
Held-to-maturity securities	-	-	-	40,225	-	-	40,225
Loans and advances	129,695	266,876	170,177	12,099	-	365,946	944,793
Other assets	25,713	113	-	-	6,308	7,525	39,659
Financial assets	1,298,720	297,000	170,177	52,324	6,308	373,471	2,198,000
Deposits from customers	336,159	215,489	160,986	18,127	92,353	-	823,114
Deposits and placements of banks and other financial institutions	483,297	288,713	168,407	-	-	-	940,417
Derivative liabilities	8	3	51	-	-	-	62
Other liabilities	5,495	41,937	30	133	6,828	-	54,423
Financial liabilities	824,959	546,142	329,474	18,260	99,181	-	1,818,016
Net liquidity gap- financial assets less financial liabilities	473,761	(249,142)	(159,297)	34,064	(92,873)	373,471	379,984

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28.

Group 31 December 2012	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities							
Deposits from customers	456,302	718,722	216,305	248,214	539,147	40,791	2,219,481
Deposits and placements of banks and other financial institutions	114,665	940,460	81,365	568,008	157,801	-	1,862,299
Derivative liabilities	866	-	-	-	-	-	866
Other liabilities	14,542	42,244	-	-	-	-	56,786
	585,513	1,701,806	297,712	816,662	696,948	40,791	4,139,432

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28. (continued)

Group 31 December 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities							
Deposits from customers	352,409	309,718	212,416	229,707	427,753	2,313	1,534,316
Deposits and placements of banks and other financial institutions	146,373	238,966	154,141	325,173	128,080	-	992,733
Derivative liabilities	9	-	-	-	-	-	9
Other liabilities	7,244	20,426	-	-	-	-	27,670
	506,035	569,110	366,557	554,880	555,833	2,313	2,554,728

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28. (continued)

Group 1 January 2011	1 week RM'000	Within to 1 month RM'000	1 week months RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 1 year RM'000	Over Total RM'000
Financial liabilities							
Deposits from customers	158,198	386,570	161,156	18,145	92,435	-	816,504
Deposits and placements of banks and other financial institutions	484,677	288,381	168,299	-	-	-	941,357
Derivative liabilities	62	-	-	-	-	-	62
Other liabilities	13,430	28,731	582	584	1,044	4,080	48,451
	656,313	703,685	330,088	18,729	93,479	4,080	1,806,374

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28. (continued)

Bank 31 December 2012	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities							
Deposits from customers	462,024	718,722	216,305	248,214	539,147	40,791	2,225,203
Deposits and placements of banks and other financial institutions	114,665	940,460	81,365	568,008	157,801	-	1,862,299
Derivative liabilities	866	-	-	-	-	-	866
Other liabilities	13,993	42,159	30	30	40	-	56,252
	590,686	1,701,721	297,742	816,692	696,988	40,791	4,144,620

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28. (continued)

Bank 31 December 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities							
Deposits from customers	359,119	309,718	212,416	229,707	427,753	2,313	1,541,026
Deposits and placements of banks and other financial institutions	146,373	238,966	154,141	325,173	128,080	-	992,733
Derivative liabilities	9	-	-	-	-	-	9
Other liabilities	6,649	20,339	30	30	40	-	27,088
	512,150	569,023	366,587	554,910	555,873	2,313	2,560,856

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The balances in the table below will not agree to the balances reported in the statements of financial position. Information on cash outflow of gross loan commitment is set out in Note 28. (continued)

Bank 1 January 2011	Within 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities							
Deposits from customers	165,465	386,184	160,995	18,127	92,343	-	823,114
Deposits and placements of banks and other financial institutions	484,194	288,093	168,130	-	-	-	940,417
Derivative liabilities	62	-	-	-	-	-	62
Other liabilities	13,430	27,719	578	584	1,044	4,080	47,435
	663,097	701,999	329,754	18,711	93,387	4,080	1,811,028

32 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

	31 December 2012		
	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction-related contingent items	271,193	478,486	749,679
Short-term self-liquidating trade-related contingencies	12,511	-	12,511
Irrevocable commitments to extend credit	446,220	297,957	744,177
Foreign exchange related contracts	651,493	-	651,493
	1,381,417	776,443	2,157,860

	31 December 2011		
	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-
Transaction-related contingent items	194,724	398,493	593,217
Short-term self-liquidating trade-related contingencies	2,676	-	2,676
Irrevocable commitments to extend credit	318,085	135,816	453,901
Foreign exchange related contracts	5,710	-	5,710
	521,195	534,309	1,055,504

	1 January 2011		
	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
Direct credit substitutes	540	-	540
Transaction-related contingent items	188,631	345,827	534,458
Short-term self-liquidating trade-related contingencies	1,126	-	1,126
Irrevocable commitments to extend credit	434,649	428,576	863,225
Foreign exchange related contracts	12,744	-	12,744
	637,690	774,403	1,412,093

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market Risk

Market risk arises from adverse movements in the level and volatility of market factors such as interest rates, foreign exchange rates which will have an effect on the balance sheet structure in terms of liquidity and funding.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates and foreign exchange rates on its financial position and cash flow. Interest margins may increase as a results of such changes but may reduce or create losses in the event that unexpected movements arise. RMICC of the Bank monitor the interest rate risk and currency risk on a regular basis.

The Bank's interest rate risk is monitored on a daily basis and behavioural assumptions for indeterminate deposits as well as prepayment assumptions for significant loan portfolios have been implemented. The impact on net interest income of the banking book is simulated under various interest rate assumptions. Sensitivity is measured using the Earnings-at-Risk ('EaR') methodology. An increase or decrease by 25 basis points, the impact of increase/decrease on the Group's and the Bank's post-tax profit for the year end is estimated at RM2.9 million (31 December 2011: RM2.3 million, 1 January 2011: RM1.5 million).

The Bank's foreign exchange risk is managed by matching the quantum and timing of cash flow of the foreign exchange lending with foreign exchange borrowing. The mismatch between currencies mainly arises from the Bank's short term foreign currencies lending and borrowing. The financial impact of appreciation or depreciation by 1% for each foreign currency exposure would result in a post-tax profit/loss of RM46,000 (31 December 2011 : RM22,000, 1 January 2011: RM313,000) to the Group and the Bank.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Group and the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

Group

31 December 2012	Non Trading Book							
	Up to 1 month	>1 – 3 months	>3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total	Effective Interest Rate
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Cash and short-term funds	1,914,066	-	-	-	-	15,379	1,929,445	3.55%
Deposits & placement with banks & other institution	-	213,452	351,097	-	-	-	564,549	3.77%
Derivative assets	-	-	-	-	-	629	629	
Held-to-maturity securities	20,057	520	-	40,580	-	-	61,157	3.53%
Loans and advances								
- non-impaired	1,401,178	157,755	390,764	230	1,962	(20,809)	1,931,080	4.82%
- impaired	14,072	-	-	-	-	(11)	14,061	
Other assets	-	-	-	-	-	23,359	23,359	
Deferred tax assets	-	-	-	-	-	3,042	3,042	
Property and equipment	-	-	-	-	-	7,652	7,652	
Intangible assets	-	-	-	-	-	212	212	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	40,200	40,200	
Total assets	3,349,373	371,727	741,861	40,810	1,962	69,653	4,575,386	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group
31 December 2012

	Non Trading Book							
Liabilities	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Deposits from customers	985,052	215,129	769,616	38,305	-	190,465	2,198,567	2.99%
Deposits and placements of banks and other financial institutions	1,052,644	82,392	713,700	-	-	-	1,848,736	2.73%
Derivative liabilities	-	-	-	-	-	866	866	
Other liabilities	-	-	-	-	-	67,698	67,698	
Provision for taxation	-	-	-	-	-	-	-	
Total liabilities	2,037,696	297,521	1,483,316	38,305	-	259,029	4,115,867	
Total equity	-	-	-	-	-	459,519	459,519	
Total liabilities and equity	2,037,696	297,521	1,483,316	38,305	-	718,548	4,575,386	
On balance sheet – interest rate gap	1,311,677	74,206	(741,455)	2,505	1,962	(648,895)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,311,677	74,206	(741,455)	2,505	1,962	(648,895)	-	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group
31 December 2011

	Non Trading Book							
	Up to 1 month	>1 – 3 months	>3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total	Effective Interest Rate
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Cash and short-term funds	1,194,618	-	-	-	-	11,680	1,206,298	2.89%
Deposits & placement with banks & other institution	-	223,286	-	-	-	-	223,286	2.94%
Derivative assets	-	-	-	-	-	2	2	
Held-to-maturity securities	-	40,413	-	-	-	-	40,413	4.09%
Loans and advances								
- non-impaired	1,038,569	119,165	303,152	677	1,516	(16,492)	1,446,587	4.74%
- impaired	93	-	-	-	-	(11)	82	
Other assets	-	-	-	-	-	13,119	13,119	
Deferred tax assets	-	-	-	-	-	5,504	5,504	
Property and equipment	-	-	-	-	-	7,388	7,388	
Intangible assets	-	-	-	-	-	9	9	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	17,700	17,700	
Total assets	2,233,280	382,864	303,152	677	1,516	38,899	2,960,388	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group
31 December 2011

Liabilities	Non Trading Book Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Deposits from customers	515,438	211,214	642,333	2,168	-	147,834	1,518,987	2.97%
Deposits and placements of banks and other financial institutions	385,049	153,339	448,591	-	-	-	986,979	1.13%
Derivative liabilities	-	-	-	-	-	62	62	
Other liabilities	-	-	-	-	-	35,422	35,422	
Provision for taxation	-	-	-	-	-	1,532	1,532	
Total liabilities	900,487	364,553	1,090,924	2,168	-	184,850	2,542,982	
Total equity	-	-	-	-	-	417,406	417,406	
Total liabilities and equity	900,487	364,553	1,090,924	2,168	-	602,256	2,960,388	
On balance sheet – interest rate gap	1,332,793	18,311	(787,772)	(1,491)	1,516	(563,357)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,332,793	18,311	(787,772)	(1,491)	1,516	(563,357)	-	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group
1 January 2011

	Non Trading Book							
Assets	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Cash and short-term funds	1,162,082	-	-	-	-	11,236	1,173,318	2.12%
Derivative assets	-	-	-	-	-	7	7	
Held-to-maturity securities	-	-	40,225	-	-	-	40,225	4.09%
Loans and advances								
- non-impaired	786,754	163,651	10,752	867	2,179	(16,536)	947,667	4.09%
- impaired	-	-	-	-	-	(2,874)	(2,874)	
Other assets	-	-	-	-	-	24,977	24,977	
Deferred tax assets	-	-	-	-	-	5,324	5,324	
Property and equipment	-	-	-	-	-	8,063	8,063	
Intangible assets	-	-	-	-	-	52	52	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	2,100	2,100	
Total assets	1,948,836	163,651	50,977	867	2,179	32,349	2,198,859	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Group
1 January 2011

	Non Trading Book							
Liabilities	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Deposits from customers	416,671	160,986	108,879	-	-	129,146	815,682	2.52%
Deposits and placements of banks and other financial institutions	772,011	168,406	-	-	-	-	940,417	0.69%
Derivative liabilities	-	-	-	-	-	62	62	
Other liabilities	-	-	-	-	-	54,555	54,555	
Provision for taxation	-	-	-	-	-	1,946	1,946	
Deferred tax liabilities	-	-	-	-	-	27	27	
Total liabilities	1,188,682	329,392	108,879	-	-	185,736	1,812,689	
Total equity	-	-	-	-	-	386,170	386,170	
Total liabilities and equity	1,188,682	329,392	108,879	-	-	571,906	2,198,859	
On balance sheet – interest rate gap	760,154	(165,741)	(57,902)	867	2,179	(539,557)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	760,154	(165,741)	(57,902)	867	2,179	(539,557)	-	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank
31 December 2012

	Non Trading Book							
Assets	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Cash and short-term funds	1,913,921	-	-	-	-	15,377	1,929,298	3.55%
Deposits & placement with banks & other financial institutions	-	213,452	351,097	-	-	-	564,549	3.77%
Derivative assets	-	-	-	-	-	629	629	
Held-to-maturity securities	20,057	520	-	40,580	-	-	61,157	3.53%
Loans and advances								
- non-impaired	1,401,178	157,755	390,764	230	1,962	(20,809)	1,931,080	4.82%
- impaired	14,072	-	-	-	-	(11)	14,061	
Other assets	-	-	-	-	-	22,720	22,720	
Deferred tax assets	-	-	-	-	-	2,907	2,907	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Property and equipment	-	-	-	-	-	6,763	6,763	
Intangible assets	-	-	-	-	-	212	212	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	40,200	40,200	
Total assets	3,349,228	371,727	741,861	40,810	1,962	68,988	4,574,576	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank

31 December 2012	Non Trading Book							
Liabilities	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Deposits from customers	985,052	215,129	769,616	38,305	-	196,187	2,204,289	2.99%
Deposits and placements of banks and other financial institutions	1,052,644	82,392	713,700	-	-	-	1,848,736	2.73%
Derivative liabilities	-	-	-	-	-	866	866	
Other liabilities	-	-	-	-	-	66,395	66,395	
Provision for taxation	-	-	-	-	-	-	-	
Total liabilities	2,037,696	297,521	1,483,316	38,305	-	263,448	4,120,286	
Total equity						454,290	454,290	
Total liabilities and equity	2,037,696	297,521	1,483,316	38,305	-	717,738	4,574,576	
On balance sheet – interest rate gap	1,311,532	74,206	(741,455)	2,505	1,962	(648,750)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,311,532	74,206	(741,455)	2,505	1,962	(648,750)	-	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank

31 December 2011	Non Trading Book							
Assets	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Cash and short-term funds	1,194,570	-	-	-	-	11,678	1,206,248	2.89%
Deposits & placement with banks & other financial institutions	-	223,286	-	-	-	-	223,286	2.94%
Derivative assets	-	-	-	-	-	2	2	
Held-to-maturity securities	-	40,413	-	-	-	-	40,413	4.09%
Loans and advances								
- non-impaired	1,038,569	119,165	303,152	677	1,516	(16,492)	1,446,587	4.74%
- impaired	93	-	-	-	-	(11)	82	
Other assets	-	-	-	-	-	12,655	12,655	
Deferred tax assets	-	-	-	-	-	5,478	5,478	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Property and equipment	-	-	-	-	-	6,311	6,311	
Intangible assets	-	-	-	-	-	5	5	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	17,700	17,700	
Total assets	2,233,232	382,864	303,152	677	1,516	38,326	2,959,767	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank
31 December 2011

	Non Trading Book							
Liabilities	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Deposits from customers	515,438	211,214	642,333	2,168	-	154,544	1,525,697	2.97%
Deposits and placements of banks and other financial institutions	385,049	153,339	448,591	-	-	-	986,979	1.13%
Derivative liabilities	-	-	-	-	-	9	9	
Other liabilities	-	-	-	-	-	34,364	34,364	
Provision for taxation	-	-	-	-	-	1,367	1,367	
Total liabilities	900,487	364,553	1,090,924	2,168	-	190,284	2,548,416	
Total equity	-	-	-	-	-	411,351	411,351	
Total liabilities and equity	900,487	364,553	1,090,924	2,168	-	601,635	2,959,767	
On balance sheet – interest rate gap	1,332,745	18,311	(787,772)	(1,491)	1,516	(563,309)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,332,745	18,311	(787,772)	(1,491)	1,516	(563,309)	-	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank

1 January 2011	Non Trading Book							
Assets	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective Interest Rate %
Cash and short-term funds	1,162,082	-	-	-	-	11,234	1,173,316	2.12%
Derivative assets	-	-	-	-	-	7	7	
Held-to-maturity securities	-	-	40,225	-	-	-	40,225	4.09%
Loans and advances								
- non-impaired	786,754	163,651	10,752	867	2,179	(16,536)	947,667	4.09%
- impaired	-	-	-	-	-	(2,874)	(2,874)	
Other assets	-	-	-	-	-	24,477	24,477	
Deferred tax assets	-	-	-	-	-	5,324	5,324	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Amount due from a subsidiary	-	-	-	-	-	-	-	
Property and equipment	-	-	-	-	-	6,715	6,715	
Intangible assets	-	-	-	-	-	43	43	
Statutory Deposits with Bank Negara Malaysia	-	-	-	-	-	2,100	2,100	
Total assets	1,948,836	163,651	50,977	867	2,179	31,490	2,198,000	

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32 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

Bank

1 January 2011	Non Trading Book							
	Up to 1 month	>1 – 3 months	>3 – 12 months	1 – 5 years	Over 5 years	Non-interest sensitive	Total	Effective Interest Rate
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Deposits from customers	416,671	160,986	108,879	-	-	136,578	823,114	2.52%
Deposits and placements of banks and other financial institutions	772,011	168,406	-	-	-	-	940,417	0.69%
Derivative liabilities	-	-	-	-	-	62	62	
Other liabilities	-	-	-	-	-	52,797	52,797	
Provision for taxation	-	-	-	-	-	1,626	1,626	
Total liabilities	1,188,682	329,392	108,879	-	-	191,063	1,818,016	
Total equity	-	-	-	-	-	379,984	379,984	
Total liabilities and equity	1,188,682	329,392	108,879	-	-	571,047	2,198,000	
On balance sheet – interest rate gap	760,154	(165,741)	(57,902)	867	2,179	(539,557)	-	
Off balance sheet – interest rate gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	760,154	(165,741)	(57,902)	867	2,179	(539,557)	-	

32 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Operational Risk

Operational risk can be defined as the risk of monetary loss resulting from inadequate or failed internal processes, people, and system or from external events. RMICC of the Bank is responsible for the development of a control framework, the promotion of a strong risk management culture in the Bank, and the monitoring and administration of operational risk.

Some of the key management and control techniques include segregation of duties, clear delegation of authority, sound project management and disaster recovery plan. Our internal audit function independently appraises the adequacy and effectiveness of the internal control environment and reports results independently to the Audit Committee of the Bank.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining the disclosing the fair value of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity securities on exchange or debt instrument issued by certain governments.

Level 2 – Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.

Level 3 – Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measures of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2012, the Group and the Bank only have fair valued financial instruments that falls under level 2 as listed below:

	Group and Bank		
	31 December 2012	31 December 2011	1 January 2011
	RM'000	RM'000	RM'000
Level 2			
Financial assets			
Derivative assets	629	2	7
Financial liabilities			
Derivative liabilities	866	9	62

A range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at balance sheet date. The total fair value by each financial instrument is not materially different from the total carrying amount, except for the following financial assets and liabilities:

	Group and bank					
	31 December 2012		31 December 2011		1 January 2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM	RM	RM
Financial assets						
Held-to-maturity securities	61,157	61,213	40,413	40,397	40,225	40,383

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

(a) Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(b) Held-to-maturity securities

The estimated fair value is generally based on quoted and observable market prices.

33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(c) Loans and advances

For floating rate loans, the carrying amount is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific allowance, being the expected recoverable amount.

(d) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposits with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

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

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying amounts. For deposits and placements with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

(f) Foreign exchange rate and interest rate contracts

The fair values of foreign exchange rate, interest rate and equity contracts are the estimated amounts the Group and the Bank would receive or pay to terminate the contracts at the balance sheet date.

34 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group and the Bank makes allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of loans, advances and financing. Among the factors considered are the Group's and the Bank's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. In the case where the Group and the Bank have no entity-specific loss experience or insufficient experience, the Group and the Bank use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as change in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values, The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is descried in more detail in Note 33.

35 CHANGES IN ACCOUNTING POLICIES

(a) Effects of Adopting MFRS Framework

These audited financial statements are the Group's and the Bank's first annual financial statements prepared under the MFRS framework. Accordingly, the Group and the Bank have applied MFRS 1 First-time Adoption of Malaysia Financial Reporting Standards upon their adoption of the MFRS framework on 1 January 2012. The MFRS adoption did not result in any financial impact to the Group and the Bank other than the financial impact arising from the change in accounting policy on collective impairment allowance.

The adoption of the MFRS framework has resulted in the following changes :

(i) MFRS 139 Financial Instruments : Recognistion and Measurement ("MFRS 139")

Previously, the Group and the Bank have applied the amendement to FRS 139 'Financial Instruments: Recognition and Measurement', which included an additional transitional arrangement for financial sectors, whereby Bank Negara Malaysia ('BNM') prescribed the use of an alternative basis for collective assessment of impairment on loans and advances. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loans impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar aassets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effects of Adopting MFRS Framework (continued)

The adoption of the MFRS framework has resulted in the following changes :

MFRS 139 Financial Instruments : Recognistion and Measurement (“MFRS 139”)

This change in accounting policy has been accounted for retrospectively and has resulted in an increase in the collective impairment allowance charged in the income statement and a writeback of collective impairement allowance to the opening retained profits and opening collective impairment allowance in the statement of financial position.

(b) Other reclassifications

Certain comparatives were restated to comform to the current year’s presentation. There were no significance impact to the financial performance and ratio in relation to the financial year ended 31 December 2011 and as at the date of transition.

The changes in comparatives are due to items (a) and (b) highlighted above affected the following items :

(i) Impact on the Group’s and the Bank’s Statement of Financial Position as at 31 December 2011 and 1 January 2011

Group 31 December 2011	As previously stated RM’000	Effect of full adoption of MFRS RM’000	Reclassification RM’000	As restated RM’000
ASSETS				
Derivative assets	-	-	2	2
Loans and advances	1,440,824	5,845		1,446,669
Deferred tax assets	6,965	(1,461)		5,504
Other assets	13,121	-	(2)	13,119
LIABILITIES				
Derivative liabilities	-	-	9	9
Other liabilities	35,484	-	(9)	35,475
EQUITY				
Reserves	109,022	4,384		113,406

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's and the Bank's Statement of Financial Position as at 31 December 2011 and 1 January 2011 (continued)

Group 1 January 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	Reclassification RM'000	As restated RM'000
ASSETS				
Derivative assets	-	-	7	7
Loans and advances	943,863	930		944,793
Deferred tax assets	5,557	(233)		5,324
Other assets	24,984	-	(7)	24,977
LIABILITIES				
Derivative liabilities	-	-	62	62
Other liabilities	54,617	-	(62)	54,555
EQUITY				
Reserves	81,473	697	-	82,170

Bank 31 December 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	Reclassification RM'000	As restated RM'000
ASSETS				
Derivative assets	-	-	2	2
Loans and advances	1,440,824	5,845	-	1,446,669
Deferred tax assets	6,939	(1,461)	-	5,478
Other assets	12,657	-	(2)	12,655
LIABILITIES				
Derivative liabilities	-	-	9	9
Other liabilities	34,373	-	(9)	34,364
EQUITY				
Reserves	102,967	4,384	-	107,351

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(i) Impact on the Group's and the Bank's Statement of Financial Position as at 31 December 2011 and 1 January 2011 (continued)

Bank 1 January 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	Reclassification RM'000	As restated RM'000
ASSETS				
Derivative assets	-	-	7	7
Loans and advances	943,863	930	-	944,793
Deferred tax assets	5,557	(233)	-	5,324
Other assets	24,484	-	(7)	24,477
LIABILITIES				
Derivative liabilities	-	-	62	62
Other liabilities	52,859	-	(62)	52,797
EQUITY				
Reserves	75,287	697	-	75,984

(ii) Impact on the Group's and the Bank's Statement of Comprehensive Income for the financial year ended 31 December 2011

Group 31 December 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	As restated RM'000
Allowance for impairment on loans and advances	(3,882)	4,915	1,033
Profit before taxation	36,558	4,915	41,473
Taxation	(9,009)	(1,228)	(10,237)
Total comprehensive income for the financial year	27,549	3,687	31,236
Basic/fully diluted earnings per share (sen)	9.1	1.2	10.3

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Impact on the Group's and the Bank's Statement of Comprehensive Income for the year ended 31 December 2011 (continued)

Bank 31 December 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	As restated RM'000
Allowance for impairment on loans and advances	(3,882)	4,915	1,033
Profit before taxation	34,625	4,915	39,540
Taxation	(6,945)	(1,228)	(8,173)
Total comprehensive income for the financial year	27,680	3,687	31,367
Basic/fully diluted earnings per share (sen)	9.1	1.2	10.3

(iii) Impact on the Group's and the Bank's Statement of Changes in Equity as at 31 December 2011 and 1 January 2011

Group 31 December 2011	As previously stated RM'000	Effect of full adoption of MFRS RM'000	As restated RM'000
Retained profits	36,804	4,384	41,188
1 January 2011			
Retained profits	23,095	697	23,792
Bank 31 December 2011			
Retained profits	30,749	4,384	35,133
1 January 2011			
Retained profits	16,909	697	17,606

35 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(iv) Impact on the Bank's capital adequacy as at 31 December 2011 and 1 January 2011

	31 December 2011		1 January 2011	
	As previously stated	As restated	As previously stated	As restated
	RM'000	RM'000	RM'000	RM'000
Bank				
Tier 1 capital	400,028	405,873	373,730	373,660
Total capital base	421,365	421,365	390,196	389,196

The impact on the core capital ratio and risk weighted capital ratio is insignificant. The ratios as previously stated and as restated are remain the same.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 20 June 2013.

Company No.

511251	V

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Ter Leong Yap and Wang Hongwei, being two of the Directors of Bank of China (Malaysia) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 22 to 131 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2012 and of the results and cash flows of the Bank for the financial year ended on that date and in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 20 June 2013.

DATUK TER LEONG YAP
DIRECTOR

WANG HONGWEI
DIRECTOR

Kuala Lumpur
20 June 2013

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Cho Lai Kuan, the officer primarily responsible for the financial management of Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 131 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHO LAI KUAN

Subscribed and solemnly declared by the abovenamed Cho Lai Kuan at Kuala Lumpur on 20 June 2013, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 511251 V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank of China (Malaysia) Berhad, on pages 22 to 131, which comprise the statements of financial position as at 31 December 2012 of the Group and the Bank, and statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 36.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 511251 V)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that has been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

OTHER MATTERS

Bank of China (Malaysia) Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011, and the statement of income, comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Bank for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
20 June 2013