

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	Group		Bank	
		30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	2,700,004	3,558,550	2,696,274	3,553,075
Deposits and placements with banks and other financial institutions	10	2,625,351	1,700,081	2,625,351	1,700,081
Derivative financial assets	11	1,656	454	1,656	454
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	610,085	467,541	610,085	467,541
Equity instruments at FVOCI	13	16,764	14,936	16,764	14,936
Debt instruments at amortised cost	14	200,250	655,390	200,250	655,390
Equity instrument at fair value through profit & loss ("FVTPL")	15	1,679	1,072	1,679	1,072
Loans and advances	16	7,316,239	6,693,130	7,316,239	6,693,130
Other assets	17	40,326	5,093	35,253	4,344
Tax recoverable		23,000	4,000	23,000	4,000
Deferred tax assets		11,464	17,233	11,333	16,959
Statutory deposits with Bank Negara Malaysia		115,700	98,000	115,700	98,000
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		57,137	59,977	56,453	58,956
Intangible assets		1,295	914	1,295	914
<b>TOTAL ASSETS</b>		<b>13,720,950</b>	<b>13,276,371</b>	<b>13,712,332</b>	<b>13,269,852</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	8,429,127	8,356,277	8,435,311	8,369,316
Deposits and placements of banks and other financial institutions	19	2,260,072	1,954,232	2,260,072	1,954,232
Derivative financial liabilities	11	1,749	227	1,749	227
Other liabilities	20	178,775	151,352	171,982	147,744
Provision for taxation		550	500	-	-
Subordinated loan	21	1,288,166	1,287,303	1,288,166	1,287,303
<b>TOTAL LIABILITIES</b>		<b>12,158,439</b>	<b>11,749,891</b>	<b>12,157,280</b>	<b>11,758,822</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		801,993	765,962	794,534	750,512
<b>TOTAL EQUITY</b>		<b>1,562,511</b>	<b>1,526,480</b>	<b>1,555,052</b>	<b>1,511,030</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,720,950</b>	<b>13,276,371</b>	<b>13,712,332</b>	<b>13,269,852</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>6,417,433</b>	<b>4,896,737</b>	<b>6,417,433</b>	<b>4,896,737</b>

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	22	<b>131,827</b>	131,911	<b>260,520</b>	257,601
Interest expense	23	<b>(76,503)</b>	(72,485)	<b>(149,309)</b>	(134,347)
Net interest income		<b>55,324</b>	59,426	<b>111,211</b>	123,254
Other operating income	24	<b>24,318</b>	26,545	<b>49,365</b>	51,940
Other operating expenses	25	<b>(33,328)</b>	(35,053)	<b>(69,362)</b>	(68,254)
Operating profit before allowance for expected credit losses		<b>46,314</b>	50,918	<b>91,214</b>	106,940
Allowance for impairment on loans and advances and other financial assets	26	<b>(38,069)</b>	(4,558)	<b>(46,128)</b>	(10,446)
Profit before taxation		<b>8,245</b>	46,360	<b>45,086</b>	96,494
Taxation		<b>(1,214)</b>	(15,688)	<b>(12,273)</b>	(26,917)
<b>Profit for the financial period</b>		<b>7,031</b>	30,672	<b>32,813</b>	69,577
<b>Other comprehensive income:</b>					
<b><i>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</i></b>					
- Net fair value changes in debt instrument at FVOCI, net of tax		<b>2,030</b>	(525)	<b>3,218</b>	(1,371)
Other comprehensive income, net of tax		<b>2,030</b>	(525)	<b>3,218</b>	(1,371)
Total comprehensive income for the period, net of tax		<b>9,061</b>	30,147	<b>36,031</b>	68,206
<b>Earnings per share</b>					
- Basic/fully diluted (sen)		<b>0.92</b>	4.03		

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
<b>Bank</b>					
Interest income	22	<b>131,827</b>	131,911	<b>260,520</b>	257,601
Interest expense	23	<b>(76,456)</b>	(72,485)	<b>(149,212)</b>	(134,347)
Net interest income		<b>55,371</b>	59,426	<b>111,308</b>	123,254
Other operating income	24	<b>33,091</b>	35,069	<b>50,903</b>	53,724
Other operating expenses	25	<b>(31,369)</b>	(33,051)	<b>(65,540)</b>	(64,291)
Operating profit before allowance for expected credit losses		<b>57,093</b>	61,444	<b>96,671</b>	112,687
Allowance for impairment on loans and advances and other financial assets	26	<b>(38,069)</b>	(4,558)	<b>(46,128)</b>	(10,446)
Profit before taxation		<b>19,024</b>	56,886	<b>50,543</b>	102,241
Taxation		<b>14</b>	(14,492)	<b>(9,739)</b>	(24,596)
<b>Profit for the financial period</b>		<b>19,038</b>	42,394	<b>40,804</b>	77,645
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net fair value changes in debt instrument at FVOCI, net of tax		<b>2,030</b>	(525)	<b>3,218</b>	(1,371)
Other comprehensive income, net of tax		<b>2,030</b>	(525)	<b>3,218</b>	(1,371)
Total comprehensive income for the period, net of tax		<b>21,068</b>	41,869	<b>44,022</b>	76,274

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	← Non-distributable			Fair value through other		→ Distributable	
	Share capital	Statutory reserve	Revaluation reserve	comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>							
Balance as at 31 December 2018	<b>760,518</b>	-	-	<b>8,193</b>	<b>16,191</b>	<b>741,578</b>	<b>1,526,480</b>
Profit for the financial period	-	-	-	-	-	<b>32,813</b>	<b>32,813</b>
Other comprehensive income, net of tax	-	-	-	<b>3,218</b>	-	-	<b>3,218</b>
Total comprehensive income for the financial period, net of tax	-	-	-	<b>3,218</b>	-	<b>32,813</b>	<b>36,031</b>
Transfer from retained profits to regulatory reserve	-	-	-	-	<b>17,416</b>	<b>(17,416)</b>	-
<b>At 30 June 2019</b>	<b>760,518</b>	-	-	<b>11,411</b>	<b>33,607</b>	<b>756,975</b>	<b>1,562,511</b>
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	621,693	1,413,441
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,625)	(37,625)
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	584	-	-	584
1 January 2018, as restated	760,518	-	-	1,747	30,067	584,068	1,376,400
Profit for the financial period	-	-	-	-	-	69,577	69,577
Other comprehensive income, net of tax	-	-	-	(1,371)	-	-	(1,371)
Total comprehensive income for the financial period, net of tax	-	-	-	(1,371)	-	69,577	68,206
At 30 June 2018	760,518	-	-	376	30,067	653,645	1,444,606

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	←	Non-distributable			→	Distributable		
	Share capital	Statutory reserve	Revaluation reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>								
Balance as at 31 December 2018	<b>760,518</b>	-	-	<b>8,193</b>	<b>16,191</b>	<b>726,128</b>	<b>1,511,030</b>	
Profit for the financial period	-	-	-	-	-	<b>40,804</b>	<b>40,804</b>	
Other comprehensive income, net of tax	-	-	-	<b>3,218</b>	-	-	<b>3,218</b>	
Total comprehensive income for the financial period, net of tax	-	-	-	<b>3,218</b>	-	<b>40,804</b>	<b>44,022</b>	
Transfer from retained profits to regulatory reserve	-	-	-	-	<b>17,416</b>	<b>(17,416)</b>	-	
<b>At 30 June 2019</b>	<b>760,518</b>	-	-	<b>11,411</b>	<b>33,607</b>	<b>749,516</b>	<b>1,555,052</b>	
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	607,180	1,398,928	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,623)	(37,623)	
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	584	-	-	584	
1 January 2018, as restated	760,518	-	-	1,747	30,067	569,557	1,361,889	
Profit for the financial period	-	-	-	-	-	77,645	77,645	
Other comprehensive income, net of tax	-	-	-	(1,371)	-	-	(1,371)	
Total comprehensive income for the financial period, net of tax	-	-	-	(1,371)	-	77,645	76,274	
At 30 June 2018	760,518	-	-	376	30,067	647,202	1,438,163	

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018*

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Group		Bank	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Note				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	45,086	96,494	50,543	102,241
<i>Adjustment for:</i>				
Depreciation of property and equipment	3,683	3,384	3,345	3,040
Depreciation of right-of-use assets	4,249	-	3,561	-
Amortisation of intangible assets	327	211	327	211
Amortisation of premium less accretion of discount	759	681	759	681
Allowance for impairment on loans and advances and other financial assets	46,128	10,446	46,128	10,446
Interest income from debt instruments at FVOCI	(10,186)	(7,332)	(10,186)	(7,332)
Interest income from debt instruments at amortised cost	(11,389)	(14,013)	(11,389)	(14,013)
Interest expense on subordinated loan	19,011	13,634	19,011	13,634
Interest expense on lease liabilities	686	-	589	-
Unrealised foreign exchange (gain)/loss	(129)	2,443	(129)	2,443
Net loss on revaluation of derivatives	320	373	320	373
Unrealised gain on equity instrument at FVTPL	(549)	-	(549)	-
Property and equipment written off	1	12	1	11
Dividend income received from equity instruments at FVOCI	(45)	-	(45)	-
Dividend income received from subsidiary	-	-	(15,400)	(14,500)
Operating profit before changes in operating activities	97,952	106,333	86,886	97,235
<b>(INCREASE)/ DECREASE IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	(925,276)	(658,830)	(925,276)	(658,830)
Loans and advances	(669,153)	(731,710)	(669,153)	(731,710)
Other assets	(3,952)	8,074	(3,990)	(409)
Statutory deposits with Bank Negara Malaysia	(17,700)	14,100	(17,700)	14,100
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	72,850	205,243	65,995	203,562
Deposits and placements of banks and other financial institutions	305,840	341,741	305,840	341,741
Other liabilities	(4,007)	(49,878)	(2,835)	(49,530)
Subordinated loan	26,660	(2,325)	26,660	(2,325)
Cash used in operating activities	(1,116,786)	(767,252)	(1,133,573)	(786,166)
Taxes paid	(26,441)	(24,000)	(24,103)	(21,750)
Net cash used in operating activities	(1,143,227)	(791,252)	(1,157,676)	(807,916)

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Note	Group		Bank	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property and equipment		(846)	(1,517)	(844)	(1,496)
Purchase of intangible assets		(708)	(398)	(708)	(398)
Purchases of debt instruments at FVOCI		(210,060)	-	(210,060)	-
Proceeds from maturity of debt instruments at FVOCI		70,000	-	70,000	-
Purchases of debt instruments at amortised cost		(1,100,000)	(1,530,000)	(1,100,000)	(1,530,000)
Proceeds from maturity of debt instruments at amortised cost		700,000	2,555,000	700,000	2,555,000
Interest received on debt instruments at FVOCI		9,154	7,389	9,154	7,389
Interest received on debts instruments at amortised cost		866,529	20,386	866,529	20,386
Dividend income received from equity instruments at FVOCI		45	-	45	-
Dividend income received from subsidiary		-	-	15,450	14,500
Net cash generated from investing activities		<u>334,114</u>	<u>1,050,860</u>	<u>349,566</u>	<u>1,065,381</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payment of lease liabilities		(4,628)	-	(3,886)	-
Interest paid on subordinated loan		(44,808)	(11,424)	(44,808)	(11,424)
Net cash used in financing activity		<u>(49,436)</u>	<u>(11,424)</u>	<u>(48,694)</u>	<u>(11,424)</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>					
		(858,549)	248,184	(856,804)	246,041
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>					
		<u>3,558,553</u>	<u>3,078,355</u>	<u>3,553,078</u>	<u>3,077,280</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>					
	9	<u><u>2,700,004</u></u>	<u><u>3,326,539</u></u>	<u><u>2,696,274</u></u>	<u><u>3,323,321</u></u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

For the six months ended 30 June 2019, the Group recorded profit after taxation of RM32.8 million, after provision on allowances for impairment on loans and advances and other financial assets of RM46.1 million.

Despite a reduced profit after tax, the Group's total assets grew RM0.4 billion of which loans and advances growth of 10% and deposits and placements with banks and other financial institutions growth of 54%.

The global economic outlook continues to be clouded by the lingering trade tensions and heightened uncertainty. However, domestic economics remains relatively resilient. Malaysia local economy should continue to benefit from the vibrant growth momentum in the emerging and developing economies. In this regard, the Bank will continue to capture opportunities along with the One Belt One Road initiative. With the impending launching of enhancement to e-bank service and other new products allow the Bank to deepen wallet share of existing value customers as well as increasing deposits and credit floats of the Bank. In achieving the Bank's business objectives and goals, the Bank will commit more resources and efforts to strengthen its risk management, internal control structure and framework.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2018.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018.

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**2 Group Accounting Policies (Continued)**

MFRS 16 Leases

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

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

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

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

Standards issued but not yet effective

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

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

**3 Audit Report**

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

**4 Seasonal or Cyclical Factors**

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

**5 Exceptional or Extraordinary Items**

There were no exceptional or extraordinary items in the six months ended 30 June 2019.

**6 Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the six months ended 30 June 2019.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**7 Changes in Debt and Equity Securities**

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

**8 Dividend Paid**

No dividend was paid during the six months ended 30 June 2019.

**9 Cash and Short-term Funds**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>116,598</b>	170,031	<b>112,868</b>	164,556
Money at call and deposit placements maturing within one month	<b>2,583,427</b>	3,388,543	<b>2,583,427</b>	3,388,543
	<b>2,700,025</b>	3,558,574	<b>2,696,295</b>	3,553,099
Less: allowance for ECL	<b>(21)</b>	(24)	<b>(21)</b>	(24)
	<b>2,700,004</b>	3,558,550	<b>2,696,274</b>	3,553,075

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

	<b>Group/Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	27
1 January 2018, as restated	-	27
Beginning 1 January 2019	<b>24</b>	-
ECL allowance written-back during the period (Note 26)	<b>(3)</b>	(3)
Allowance for ECL as at 30 June 2019	<b>21</b>	24

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

	<b>Group and Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>2,625,369</b>	1,700,093
	<b>2,625,369</b>	1,700,093
Less: allowance for ECL	<b>(18)</b>	(12)
	<b>2,625,351</b>	1,700,081

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

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

	<u>Group/Bank</u>	
	<u>30 June</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	121
1 January 2018, as restated	-	121
Beginning 1 January 2019	<b>12</b>	-
ECL allowance charge/(written-back) during the period (Note 26)	<b>6</b>	(109)
Allowance for ECL as at 30 June 2019	<b>18</b>	12

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

	<u>Group and Bank</u>	
	<u>30 June</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
Derivative financial assets	<b>1,656</b>	454
Derivative financial liabilities	<b>(1,749)</b>	(227)
	<b>(93)</b>	227

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

	<u>Group and Bank</u>	
	<u>30 June</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
Money market instrument: Malaysian Government Securities	<b>387,807</b>	457,402
Unquoted securities Corporate bond	<b>222,465</b>	10,158
Less: allowance for ECL	<b>(187)</b>	(19)
	<b>222,278</b>	10,139
	<b>610,085</b>	467,541

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

	<u>Group/Bank</u>	
	<u>30 June</u> <u>2019</u> RM'000	31 December <u>2018</u> RM'000
Beginning 1 January 2019	<b>19</b>	-
ECL allowance charge during the period (Note 26)	<b>168</b>	19
Allowance for ECL as at 30 June 2019	<b>187</b>	19

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**13 Equity Instruments at FVOCI**

	<u>Group and Bank</u>	
	<u>30 June</u>	31 December
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At fair value:		
Unquoted securities		
Shares of corporations in Malaysia	<u>16,764</u>	14,936
	<u><u>16,764</u></u>	<u><u>14,936</u></u>

**14 Debt Instruments at Amortised Cost**

	<u>Group and Bank</u>	
	<u>30 June</u>	31 December
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	<u>200,250</u>	655,390
	<u><u>200,250</u></u>	<u><u>655,390</u></u>

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

	<u>Group and Bank</u>	
	<u>30 June</u>	31 December
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At fair value:		
Quoted securities		
Shares of corporations outside Malaysia	<u>1,679</u>	1,072
	<u><u>1,679</u></u>	<u><u>1,072</u></u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**16 Loans and Advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>473,816</b>	502,703
Terms loans		
- Housing loans	<b>346,538</b>	339,769
- Syndicated term loans	<b>2,761,620</b>	2,509,956
- Other term loans	<b>1,420,769</b>	1,457,758
Bills receivables	<b>481,595</b>	293,130
Trust receipts	<b>35,210</b>	17,201
Claims on customers under acceptance credits	<b>673,373</b>	511,745
Revolving credits	<b>1,268,134</b>	1,161,040
Staff loans	<b>1,943</b>	2,013
Gross loans and advances	<b>7,462,998</b>	6,795,315
Less: Loss allowance for ECL		
- Allowance for ECL	<b>(146,759)</b>	(102,185)
Total net loans and advances	<b>7,316,239</b>	6,693,130

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>5,172,080</b>	4,948,182
Other countries	<b>2,290,918</b>	1,847,133
Gross loans and advances	<b>7,462,998</b>	6,795,315

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**16 Loans and Advances (Continued)**

**At amortised cost (continued)**

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loans	<b>1,510,595</b>	1,193,769
Variable rate		
- Base Rate/Base Lending Rate	<b>1,693,222</b>	1,772,455
- Cost of funds plus	<b>3,843,395</b>	3,465,332
- Other variable rates	<b>415,786</b>	363,759
Gross loans and advances	<b>7,462,998</b>	6,795,315

**(iv) By economic sector**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	<b>502,234</b>	534,893
Mining and quarrying	<b>677,980</b>	604,244
Manufacturing	<b>1,252,101</b>	1,029,828
Electricity, gas and water supply	<b>199,408</b>	132,734
Construction	<b>423,845</b>	405,338
Real estate	<b>1,687,386</b>	1,539,053
Wholesale and retail trade and restaurants and hotels	<b>214,490</b>	220,067
Transport, storage and communication	<b>116,298</b>	116,993
Finance, insurance and business services	<b>1,321,793</b>	1,137,859
Education, health and others	<b>312,068</b>	279,685
Household	<b>755,395</b>	794,621
	<b>7,462,998</b>	6,795,315

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Up to one month	<b>1,711,718</b>	1,462,601
More than one month to three months	<b>1,309,973</b>	1,141,951
More than three months to six months	<b>307,134</b>	362,361
More than six months to twelve months	<b>54,807</b>	133,066
More than twelve months	<b>4,079,366</b>	3,695,336
Gross loans and advances	<b>7,462,998</b>	6,795,315

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**16 Loans and Advances (Continued)**

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

**Group and Bank**

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	5,691,278	1,035,981	68,056	6,795,315
Transferred to 12-month ECL (stage 1)	60,225	(60,225)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(153,644)	154,162	(518)	-
Transferred to lifetime ECL credit impaired (stage 3)	(10,119)	(28,296)	38,415	-
Changes due to change in credit risk	(1,583,427)	(244,433)	(1,968)	(1,829,828)
New loans originated or purchased	2,363,845	103,870	31,266	2,498,981
Bad debts written-off	-	-	(1,470)	(1,470)
<b>Gross carrying amount as at 30 June 2019</b>	<b>6,368,158</b>	<b>961,059</b>	<b>133,781</b>	<b>7,462,998</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**16 Loans and Advances (Continued)**

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

**Group and Bank**

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	18,052	52,089	32,044	102,185
Transferred to 12 months ECL (stage 1)	7,072	(7,072)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(427)	427	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(28)	(1,435)	1,463	-
New loans ECL	3,767	1,467	-	5,234
(Reversal)/provision during the period	(6,178)	927	52,296	47,045
Full settlement	(3,558)	(2,677)	-	(6,235)
Amounts written-off	-	-	(1,470)	(1,470)
<b>Allowance for ECL as at 30 June 2019</b>	<b>18,700</b>	<b>43,726</b>	<b>84,333</b>	<b>146,759</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	29,456	45,216	53,822	128,494
1 January 2018, as restated	29,456	45,216	53,822	128,494
Transferred to 12 months ECL (stage 1)	3,663	(3,663)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(4,176)	4,176	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(23)	(216)	239	-
New loans ECL	5,595	1,886	-	7,481
(Reversal)/provision during the period	(11,188)	7,421	4,650	883
Full settlement	(5,275)	(2,731)	-	(8,006)
Amounts written-off	-	-	(26,667)	(26,667)
Allowance for ECL as at 31 December 2018	18,052	52,089	32,044	102,185

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**16 Loans and Advances (Continued)**

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

**(a) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>133,781</b>	<b>68,056</b>

**(b) By economic sector**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	<b>23,545</b>	-
Manufacturing	<b>80,599</b>	40,887
Construction	<b>887</b>	3,255
Wholesale and retail trade and restaurants and hotels	<b>6,645</b>	6,667
Household	<b>20,362</b>	14,961
Real estate	<b>1,743</b>	2,286
	<b>133,781</b>	<b>68,056</b>

**17 Other Assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	<b>8,203</b>	1,249	<b>7,573</b>	905
Sundry deposits	<b>2,922</b>	2,909	<b>2,513</b>	2,500
Prepayment	<b>233</b>	487	<b>219</b>	482
Right-of-use assets	<b>28,827</b>	-	<b>24,798</b>	-
Precious metal inventories, at fair value	<b>377</b>	576	<b>377</b>	576
	<b>40,562</b>	5,221	<b>35,480</b>	4,463
Less: allowance for ECL	<b>(236)</b>	(128)	<b>(227)</b>	(119)
	<b>40,326</b>	5,093	<b>35,253</b>	4,344

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	-	19	-	16
1 January 2018, as restated	-	19	-	16
Beginning 1 January 2019	<b>128</b>	-	<b>119</b>	-
ECL allowance made during the period (Note 26)	<b>143</b>	234	<b>143</b>	228
Amounts written-off	<b>(35)</b>	(125)	<b>(35)</b>	(125)
Allowance for ECL as at 30 June 2019	<b>236</b>	128	<b>227</b>	119

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**18 Deposits From Customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	<b>3,643,509</b>	3,900,463	<b>3,649,693</b>	3,913,502
Savings deposits	<b>254,325</b>	220,092	<b>254,325</b>	220,092
Fixed deposits	<b>4,227,642</b>	4,033,289	<b>4,227,642</b>	4,033,289
Negotiable instruments of deposits	<b>303,651</b>	202,433	<b>303,651</b>	202,433
	<b>8,429,127</b>	<b>8,356,277</b>	<b>8,435,311</b>	<b>8,369,316</b>

**(ii) By type of customers**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	<b>4,085,946</b>	4,485,510	<b>4,092,130</b>	4,498,549
Individuals	<b>3,114,079</b>	2,794,119	<b>3,114,079</b>	2,794,119
Others	<b>1,229,102</b>	1,076,648	<b>1,229,102</b>	1,076,648
	<b>8,429,127</b>	<b>8,356,277</b>	<b>8,435,311</b>	<b>8,369,316</b>

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

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	<b>2,138,032</b>	3,318,315
Six months to one year	<b>2,388,634</b>	914,953
One year to three years	<b>4,627</b>	2,454
	<b>4,531,293</b>	<b>4,235,722</b>

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

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<b>44,238</b>	44,020
Licensed banks	<b>2,210,956</b>	1,909,810
Licensed investment banks	<b>162</b>	170
Licensed Islamic banks	<b>4,713</b>	229
Other financial institutions	<b>3</b>	3
	<b>2,260,072</b>	<b>1,954,232</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**20 Other Liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	19,110	39,292	18,426	38,064
Margin deposits	50,028	45,026	50,028	45,026
Other liabilities	72,157	60,984	70,405	58,604
Lease liabilities	31,613	-	27,256	-
Allowance for ECL on commitments and contingencies (Note 20 (i))	5,867	6,050	5,867	6,050
	<b>178,775</b>	<b>151,352</b>	<b>171,982</b>	<b>147,744</b>

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

	<b>Group and Bank</b>			<b>Total</b>
	<b>30 June 2019</b>			
	<b>12 months ECL (Stage 1)</b>	<b>Lifetime ECL (non-credit impaired) (Stage 2)</b>	<b>Lifetime ECL (credit impaired) (Stage 3)</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Beginning 1 January 2019	4,446	1,601	3	6,050
Transferred to 12 months ECL	241	(241)	-	-
Transfer to lifetime ECL non-credit impaired (stage 2)	(168)	168	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(2)	(2)	4	-
New loans ECL	1,443	26	-	1,469
(Reversal)/provision during the period	(582)	1,632	(1)	1,049
Full settlement	(2,452)	(249)	-	(2,701)
Allowance for ECL as at 30 June 2019	<b>2,926</b>	<b>2,935</b>	<b>6</b>	<b>5,867</b>

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**21 Subordinated Loan**

	<b>GROUP AND BANK</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost	<b>1,254,725</b>	1,254,725
Interest accrued	<b>6,781</b>	6,693
Foreign exchange difference	<b>26,660</b>	25,885
	<b><u>1,288,166</u></b>	<b><u>1,287,303</u></b>

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

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

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**22 Interest Income**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances				
- Interest income on non-credit impaired loans	<b>79,758</b>	76,426	<b>157,315</b>	144,628
- Interest income on credit impaired loans	<b>892</b>	35	<b>1,390</b>	1,998
Money at call and deposit placement with financial institutions	<b>41,434</b>	47,770	<b>80,999</b>	90,311
Debt instruments at FVOCI	<b>5,551</b>	3,666	<b>10,186</b>	7,332
Debt instruments at amortised cost	<b>4,543</b>	4,352	<b>11,389</b>	14,013
	<b>132,178</b>	132,249	<b>261,279</b>	258,282
Amortisation of premium less accretion of discount	<b>(351)</b>	(338)	<b>(759)</b>	(681)
Total interest income	<b>131,827</b>	131,911	<b>260,520</b>	257,601

**23 Interest Expense**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Deposits and placements of banks and other financial institutions	<b>5,666</b>	5,379	<b>10,917</b>	10,164
Deposits from customers	<b>60,835</b>	59,246	<b>118,435</b>	110,244
Subordinated loan	<b>9,537</b>	7,719	<b>19,011</b>	13,634
Lease liabilities	<b>333</b>	-	<b>686</b>	-
Others	<b>132</b>	141	<b>260</b>	305
	<b>76,503</b>	72,485	<b>149,309</b>	134,347
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	<b>5,666</b>	5,379	<b>10,917</b>	10,164
Deposits from customers	<b>60,835</b>	59,246	<b>118,435</b>	110,244
Subordinated loan	<b>9,537</b>	7,719	<b>19,011</b>	13,634
Lease liabilities	<b>286</b>	-	<b>589</b>	-
Others	<b>132</b>	141	<b>260</b>	305
	<b>76,456</b>	72,485	<b>149,212</b>	134,347

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**24 Other Operating Income**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Fees income:				
- Fee on loans and advances	3,275	5,267	7,698	12,802
- Service charges and fees	12,393	11,384	25,620	23,501
- Guarantee fees	3,989	5,510	7,849	8,472
	<b>19,657</b>	<b>22,161</b>	<b>41,167</b>	<b>44,775</b>
Fees expense:				
- Commission related expenses	(4,383)	(4,557)	(9,102)	(8,963)
Net fee income	<b>15,274</b>	<b>17,604</b>	<b>32,065</b>	<b>35,812</b>
Foreign exchange income/(loss):				
- Realised	7,697	9,985	16,359	18,621
- Unrealised	357	(4,439)	129	(2,443)
Net gain/(loss) on revaluation of derivatives	329	3,288	(320)	(373)
Unrealised gain on equity instrument at FVTPL	371	-	549	-
Sale of precious metal	235	98	514	301
Dividend income from equity instruments at FVOCI	45	(13)	45	-
Other income	10	9	24	22
	<b>24,318</b>	<b>26,532</b>	<b>49,365</b>	<b>51,940</b>
<b>Bank</b>				
Fees income:				
- Fee on loans and advances	3,275	5,267	7,698	12,802
- Service charges and fees	1,283	798	2,508	1,717
- Guarantee fees	3,989	5,510	7,849	8,472
	<b>8,547</b>	<b>11,575</b>	<b>18,055</b>	<b>22,991</b>
Foreign exchange income/(loss):				
- Realised	7,697	9,985	16,359	18,621
- Unrealised	357	(4,439)	129	(2,443)
Net gain/(loss) on revaluation of derivatives	329	3,288	(320)	(373)
Unrealised gain on equity instrument at FVTPL	371	-	549	-
Sale of precious metal	235	98	514	301
Dividend income from equity instruments at FVOCI	45	-	45	-
Dividend income from subsidiary	15,450	14,500	15,450	14,500
Other income	60	62	122	127
	<b>33,091</b>	<b>35,069</b>	<b>50,903</b>	<b>53,724</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**25 Other Operating Expenses**

Group	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries & wages	16,335	13,722	30,885	25,678
Bonuses	2,421	5,799	8,832	11,598
Defined contribution plan ("EPF")	1,842	2,493	4,469	4,724
Staff welfare expenses	1,043	584	1,741	1,079
Other personnel costs	1,347	1,698	3,611	4,262
	<u>22,988</u>	<u>24,296</u>	<u>49,538</u>	<u>47,341</u>
<u>Marketing expenses</u>				
Entertainment	251	157	610	407
Other marketing	708	493	1,413	1,187
	<u>959</u>	<u>650</u>	<u>2,023</u>	<u>1,594</u>
<u>Establishment costs</u>				
Rental of premises	3	2,247	23	4,491
Depreciation of property and equipment	3,964	1,695	7,932	3,384
Amortisation of intangible assets	183	106	327	211
Repairs and maintenance	345	316	597	491
Property and equipment written off	-	-	1	12
Information technology expenses	490	978	681	1,692
Other establishment costs	496	321	1,280	643
	<u>5,481</u>	<u>5,663</u>	<u>10,841</u>	<u>10,924</u>
<u>Administration and general expenses</u>				
Insurance premium	1,313	1,167	1,321	1,189
Auditors' remuneration				
- statutory audit fees	55	61	110	122
- regulatory related service	25	201	52	481
Travelling and accommodation	420	742	911	1,361
Telecommunication and utilities	366	299	716	594
Printing, stationery and postage	353	406	806	946
Legal and professional fees	54	22	194	154
Other administration and general expenses	1,107	1,466	2,395	3,300
	<u>3,693</u>	<u>4,364</u>	<u>6,505</u>	<u>8,147</u>
<u>Other expenses</u>				
Cost of sales of precious metal	207	80	455	248
	<u>207</u>	<u>80</u>	<u>455</u>	<u>248</u>
	<u><u>33,328</u></u>	<u><u>35,053</u></u>	<u><u>69,362</u></u>	<u><u>68,254</u></u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**25 Other Operating Expenses**

	2nd Quarter Ended		Six Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Bank</b>				
<u>Personnel expenses</u>				
Salaries & wages	15,589	13,019	29,459	24,321
Bonuses	2,271	5,499	8,421	11,040
Defined contribution plan ("EPF")	1,756	2,397	4,288	4,542
Staff welfare expenses	954	519	1,601	963
Other personnel costs	1,293	1,633	3,516	4,144
	<b>21,863</b>	<b>23,067</b>	<b>47,285</b>	<b>45,010</b>
<u>Marketing expenses</u>				
Entertainment	248	153	601	395
Other marketing	707	493	1,412	1,187
	<b>955</b>	<b>646</b>	<b>2,013</b>	<b>1,582</b>
<u>Establishment costs</u>				
Rental of premises	3	1,876	23	3,749
Depreciation of property and equipment	3,454	1,522	6,906	3,040
Amortisation of intangible assets	183	106	327	211
Repairs and maintenance	340	317	592	491
Property and equipment written off	-	-	1	11
Information technology expenses	489	977	673	1,686
Other establishment costs	458	307	1,238	617
	<b>4,927</b>	<b>5,105</b>	<b>9,760</b>	<b>9,805</b>
<u>Administration and general expenses</u>				
Insurance premium	1,313	1,167	1,313	1,181
Auditors' remuneration				
- statutory audit fees	45	51	89	101
- regulatory related service	23	197	47	475
Travelling and accommodation	391	730	851	1,324
Telecommunication and utilities	330	271	649	526
Printing, stationery and postage	256	309	653	750
Legal and professional fees	52	21	192	153
Other administration and general expenses	1,007	1,407	2,233	3,136
	<b>3,417</b>	<b>4,153</b>	<b>6,027</b>	<b>7,646</b>
<u>Other expenses</u>				
Cost of sales of precious metal	207	80	455	248
	<b>207</b>	<b>80</b>	<b>455</b>	<b>248</b>
	<b>31,369</b>	<b>33,051</b>	<b>65,540</b>	<b>64,291</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Allowance for impairment on:				
Cash and short-term funds				
- Stage 1	4	4	(3)	(1)
Deposits and placements with banks and other financial institutions				
- Stage 1	2	(19)	6	(116)
Other assets				
- Stage 1	72	-	143	-
Loans and advances				
- Stage 1	(7,484)	(1,348)	(5,997)	(4,775)
- Stage 2	(6,656)	1,881	(1,718)	3,696
- Stage 3	52,114	1,358	53,759	7,397
Debt instruments at FVOCI				
- Stage 1	(4)	-	168	-
Commitments and contingencies				
- Stage 1	312	2,681	(1,593)	4,244
- Stage 2	(295)	1	1,407	1
- Stage 3	3	-	3	-
Bad debt recover during the period	1	-	(47)	-
	<b>38,069</b>	<b>4,558</b>	<b>46,128</b>	<b>10,446</b>

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
Allowance for impairment on:				
Cash and short-term funds				
- Stage 1	4	4	(3)	(1)
Deposits and placements with banks and other financial institutions				
- Stage 1	2	(19)	6	(116)
Other assets				
- Stage 1	72	-	143	-
Loans and advances				
- Stage 1	(7,484)	(1,348)	(5,997)	(4,775)
- Stage 2	(6,656)	1,881	(1,718)	3,696
- Stage 3	52,114	1,358	53,759	7,397
Debt instruments at FVOCI				
- Stage 1	(4)	-	168	-
Commitments and contingencies				
- Stage 1	312	2,681	(1,593)	4,244
- Stage 2	(295)	1	1,407	1
- Stage 3	3	-	3	-
Bad debt recover during the period	1	-	(47)	-
	<b>38,069</b>	<b>4,558</b>	<b>46,128</b>	<b>10,446</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**27 Capital Adequacy**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>741,578</b>	741,578	<b>726,128</b>	726,128
Regulatory reserve	<b>33,607</b>	16,191	<b>33,607</b>	16,191
Fair value through other comprehensive reserve	<b>11,411</b>	8,193	<b>11,411</b>	8,193
	<b>1,547,114</b>	1,526,480	<b>1,531,664</b>	1,511,030
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(11,464)</b>	(17,233)	<b>(11,333)</b>	(16,959)
- 55% of cumulative unrealised gains of FVOCI financial instruments	<b>(6,276)</b>	(4,506)	<b>(6,276)</b>	(4,506)
- Regulatory reserve	<b>(33,607)</b>	(16,191)	<b>(33,607)</b>	(16,191)
	<b>(51,347)</b>	(37,930)	<b>(51,216)</b>	(37,656)
Total CET1 capital / Total Tier 1 capital	<b>1,495,767</b>	1,488,550	<b>1,480,448</b>	1,473,374
<b><u>Tier-2 capital</u></b>				
General provision*	<b>102,356</b>	92,562	<b>102,347</b>	92,553
Subordinated loan	<b>1,281,385</b>	1,280,610	<b>1,281,385</b>	1,280,610
Less: Investment in a subsidiary company	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>1,383,741</b>	1,373,172	<b>1,382,732</b>	1,372,163
Total capital base	<b>2,879,508</b>	2,861,722	<b>2,863,180</b>	2,845,537
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>16.943%</b>	17.722%	<b>16.878%</b>	17.648%
Tier 1 capital ratio	<b>16.943%</b>	17.722%	<b>16.878%</b>	17.648%
Total capital ratio	<b>32.616%</b>	34.070%	<b>32.641%</b>	34.084%

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**27 Capital Adequacy (Continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>8,247,919</b>	7,825,343	<b>8,241,432</b>	7,822,480
Market risk	<b>4,747</b>	16,273	<b>4,747</b>	16,273
Operational risk	<b>575,804</b>	557,978	<b>525,527</b>	509,932
Total risk-weighted assets	<b>8,828,471</b>	8,399,594	<b>8,771,706</b>	8,348,685

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

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

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**28 Commitments and Contingencies**

	<b>Group and Bank</b>					
	<b>30 June 2019</b>			<b>31 December 2018</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	545	545	545	2,136	2,136	2,136
Transaction-related contingent items	2,528,372	1,264,181	641,506	2,480,797	1,240,398	656,134
Short-term self-liquidation trade related contingencies	109,739	21,948	18,673	132,751	26,550	26,223
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,746,407	349,281	297,802	1,603,671	320,734	295,055
- Maturity exceeding one year	644,522	322,261	299,085	534,907	267,453	241,417
Foreign exchange related contracts:						
- Less than one year	1,387,828	1,944	1,214	142,455	1,508	973
Unutilised credit card lines	20	4	3	20	4	3
<b>Total</b>	<b>6,417,433</b>	<b>1,960,164</b>	<b>1,258,828</b>	<b>4,896,737</b>	<b>1,858,783</b>	<b>1,221,941</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

**29 Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group and Bank</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
Outstanding credit exposures with connected parties (RM'000)	<b>1,524,899</b>	1,394,983
Percentage of outstanding credit exposures to connected parties total credit exposures	<b>16%</b>	17%
Percentage of outstanding credit exposures with connected parties non-performing or in default	<b>0%</b>	0%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008. However, the Bank has obtained exemption from Bank Negara Malaysia's for the above credit transaction exposures with connected parties.

**30 Operations of Islamic Banking**

No Islamic banking activities was involved for the second quarter ended 30 June 2019.

**31 Valuation of Property, Plant and Equipment**

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

**32 Events Subsequent to Reporting Date**

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

**33 Changes in the Composition of the Group**

There were no significant changes in the composition of the Group for the second quarter ended 30 June 2019.