

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Group		Bank	
		30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
ASSETS					
Cash and short-term funds	9	1,577,456	1,173,318	1,577,454	1,173,316
Deposits and placements with banks and other financial institutions	10	263,491	-	263,491	-
Held-to-maturity securities	11	40,190	40,225	40,190	40,225
Loans and advances	12	1,190,052	943,863	1,190,052	943,863
Other assets	13	18,200	24,984	17,899	24,484
Deferred tax assets		5,427	5,557	5,427	5,557
Statutory deposits with Bank Negara Malaysia		10,700	2,100	10,700	2,100
Property and equipment		7,387	8,063	6,168	6,715
Intangible assets		13	52	7	43
Investment in a subsidiary		-	-	1,000	1,000
TOTAL ASSETS		3,112,916	2,198,162	3,112,388	2,197,303
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	14	1,273,380	815,682	1,283,353	823,114
Deposits and placements of banks and other financial institutions	15	1,403,906	940,417	1,403,906	940,417
Other liabilities	16	34,975	54,617	33,756	52,859
Provision for taxation		2,946	1,946	2,626	1,626
Deferred tax liabilities		27	27	-	-
TOTAL LIABILITIES		2,715,234	1,812,689	2,723,641	1,818,016
Financed by:					
Share capital		304,000	304,000	304,000	304,000
Reserves		93,682	81,473	84,747	75,287
SHAREHOLDERS' EQUITY		397,682	385,473	388,747	379,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,112,916	2,198,162	3,112,388	2,197,303
COMMITMENTS AND CONTINGENCIES					
	24	1,292,364	1,428,641	1,292,364	1,428,641

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE
2011

Group		2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Interest income	17	18,401	10,849	34,882	19,827
Interest expense	18	(9,408)	(4,700)	(17,207)	(8,248)
Net interest income		8,993	6,149	17,675	11,579
Other operating income	19	7,767	8,328	16,354	15,231
Other operating expenses	20	(8,213)	(7,746)	(15,379)	(13,893)
Operating profit		8,547	6,731	18,650	12,917
Allowance for impairment on loans and advances	21	(1,311)	(10)	(1,311)	(22)
Profit before taxation		7,236	6,721	17,339	12,895
Taxation		(3,130)	(2,252)	(5,130)	(3,762)
Profit for the financial period		4,106	4,469	12,209	9,133
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		4,106	4,469	12,209	9,133

Bank		2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Interest income	17	18,401	10,849	34,882	19,827
Interest expense	18	(9,408)	(4,700)	(17,207)	(8,248)
Net interest income		8,993	6,149	17,675	11,579
Other operating income	19	4,890	5,378	10,839	9,512
Other operating expenses	20	(7,233)	(6,958)	(13,613)	(12,497)
Operating profit		6,650	4,569	14,901	8,594
Allowance for losses on loans and advances	21	(1,311)	(10)	(1,311)	(22)
Profit before taxation		5,339	4,559	13,590	8,572
Taxation		(2,630)	(1,426)	(4,130)	(2,726)
Profit for the financial period		2,709	3,133	9,460	5,846
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		2,709	3,133	9,460	5,846

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30
JUNE 2011

	Issued and fully paid ordinary shares of <u>RM1.00 each</u>	Non- distributable Statutory reserves	Distributable Retained profits	Total
	Nominal value RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2011	304,000	58,378	23,095	385,473
Profit for the financial period	-	-	12,209	12,209
Total comprehensive income for the period	-	-	12,209	12,209
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2011	304,000	58,378	35,304	397,682
At 1 January 2010	304,000	50,754	8,847	363,601
Net profit for the financial period	-	-	9,133	9,133
Total recognised income for the financial period	-	-	9,133	9,133
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2010	<u>304,000</u>	<u>50,754</u>	<u>17,980</u>	<u>372,734</u>
Bank				
At 1 January 2011	304,000	58,378	16,909	379,287
Profit for the financial period	-	-	9,460	9,460
Total comprehensive income for the period	-	-	9,460	9,460
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2011	304,000	58,378	26,369	388,747
At 1 January 2010	304,000	50,754	9,286	364,040
Profit for the financial period	-	-	5,846	5,846
Total comprehensive income for the period	-	-	5,846	5,846
Transfer to statutory reserve	-	-	-	-
Dividends paid	-	-	-	-
At 30 June 2010	<u>304,000</u>	<u>50,754</u>	<u>15,132</u>	<u>369,886</u>

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Group		Bank	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		17,339	12,895	13,590	8,572
<i>Adjustment for:</i>					
Depreciation of property and equipment		753	574	662	479
Amortisation of intangible assets		39	243	36	240
Net gain on disposal of property and equipment		(30)	-	(30)	-
Amortisation of premium less accretion of discount		(42)	(64)	(42)	(64)
Allowance for/(write-back of) losses on loans and advances		1,311	22	1,311	22
Interest income from held-to-maturity securities		(674)	(747)	(674)	(747)
Unrealised foreign exchange loss / (gain)		(27)	(264)	(27)	(264)
Property and equipment written off		17	-	2	-
Operating profit before changes in operating assets and liabilities		18,686	12,659	14,828	8,238
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(263,332)	10,000	(263,332)	10,000
Loans and advances		(247,500)	(115,115)	(247,500)	(115,115)
Other assets		5,633	(545)	5,434	(257)
Amount due from subsidiary company		-	-	-	681
Statutory deposits with Bank Negara Malaysia		(8,600)	(100)	(8,600)	(100)
INCREASE IN OPERATING LIABILITIES					
Deposits from customers		457,698	(188,069)	460,239	(185,035)
Deposits and placements of banks and other financial institutions		463,489	372,136	463,489	372,136
Bills and acceptances payable		-	(2,096)	-	(2,096)
Other liabilities		(19,642)	55,425	(19,103)	55,043
Cash generated from operating activities		406,432	144,295	405,455	143,495
Taxation paid		(4,000)	(3,116)	(3,000)	(2,600)
Net cash generated from operating activities		402,432	141,179	402,455	140,895
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(94)	(847)	(117)	(564)
Purchase of intangible assets		-	(8)	-	(8)
Proceeds from disposal of property and equipment		30	-	30	-
Interest received on held-to-maturity securities		751	-	751	-
Net cash generated from/(used in) investing activities		687	(855)	664	(572)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		-	-	-	-
Net cash used in financing activities		-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD					
		403,119	140,324	403,119	140,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		1,172,172	808,721	1,172,170	808,720
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD					
	9	1,575,291	949,045	1,575,289	949,043

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the six months ended 30 June 2011 was higher as compared with the corresponding period in 2010 mainly due to increase in net interest income. However this was offset partly by increase in overheads as a result of network expansion and provision made for collective assessment allowance. The Bank is focusing on growing the total assets base. At the same time emphasis will be placed on the development of the Renminbi business.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the three months ended 30 June 2011 have been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2010.

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 2010.

The Bank's allowance for impaired loans is in conformity with the requirements of BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing.

3 Audit Report

The audit report for the financial period ended 31 December 2010 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 2011.

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 2011.

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 2011.

9 Cash and short-term funds

	Group		Bank	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	87,478	174,518	87,476	174,516
Money at call and deposit placements maturing within 1 month	1,487,813	997,654	1,487,813	997,654
	1,575,291	1,172,172	1,575,289	1,172,170
Interest receivable	2,165	1,146	2,165	1,146
	1,577,456	1,173,318	1,577,454	1,173,316

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2011	31 December 2010
	RM'000	RM'000
Other financial institutions	263,332	-
Interest receivable	159	-
	263,491	-

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

11 Held-to-maturity securities

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	40,000	39,672
Accretion of discounts less amortisation of premium	-	286
Interest receivable	190	267
	<u>40,190</u>	<u>40,225</u>

12 Loans and advances

At amortised cost

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
(i) By type		
Overdrafts	168,556	119,139
Terms loans		
- Housing loans	9,426	9,546
- Syndicated term loan	233,623	248,139
- Other term loans	473,000	373,653
Bills receivable	164,848	-
Trust receipts	7,931	9,568
Claims on customers under acceptance credits	92,333	93,872
Staff loans	1,705	2,210
Loans to banks and other financial institutions	60,811	108,457
	<u>1,212,233</u>	<u>964,584</u>
Less: Unearned interest and income	(530)	(381)
Total gross loans and advances	<u>1,211,703</u>	<u>964,203</u>
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(18,777)	(17,466)
- Individual assessment allowance	(2,874)	(2,874)
Total net loans and advances	<u>1,190,052</u>	<u>943,863</u>

(ii) By geographical distribution

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
Malaysia	874,286	733,900
Other countries	337,417	230,303
Total gross loans and advances	<u>1,211,703</u>	<u>964,203</u>

(iii) By interest rate sensitivity

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
Fixed rate		
- Housing loans	-	-
- Other fixed rate loan	97,387	3,047
Variable rate		
- BLR plus	586,956	479,016
- Cost plus	104,930	110,851
- Other variable rates	422,430	371,289
	<u>1,211,703</u>	<u>964,203</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 2011

(iv) By purpose

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Purchase of securities	30,168	30,167
Purchase of transport vehicles	28	31
Purchase of landed property:	240,090	196,875
- Residential	14,619	15,308
- Non-residential	225,471	181,567
Purchase of fixed assets other than land and building	743	836
Personal use	32,814	17,333
Construction	13,183	11,358
Working capital	766,608	579,930
Other purpose	128,069	127,673
	1,211,703	964,203

12 Loans and advances (continued)

(v) By residual contractual maturity

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Up to one month	494,411	396,571
More than one month to three months	122,031	170,177
More than three months to six months	125,831	12,099
More than six months to twelve months	29,404	-
More than twelve months	440,026	385,356
	1,211,703	964,203

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

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
At beginning of financial period/year	2,921	2,934
Classified as impaired during the period/year	-	66
Amount recovered	(1)	(36)
Amount written off	-	(43)
At end of financial period/year	2,920	2,921
Individual Allowance for impairment	(2,874)	(2,874)
Net impaired loans and advances	46	47
Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	0.00%	0.00%

(b) By geographical

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Malaysia	2,920	2,921
Other countries	-	-
	2,920	2,921

c) By purposes

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Purchase of residential property	57	58
Working capital	2,863	2,863
	2,920	2,921

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

	Group and Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
Individual assessment allowance		
At beginning of the financial period/year	2,874	2,887
Allowance made during the financial period/year	-	32
Amount recovered	-	(37)
Amount written off	-	(8)
At end of the financial period/year	<u>2,874</u>	<u>2,874</u>
Collective assessment allowance		
At beginning of the financial period/year	17,466	17,466
Allowance made during the financial period/year	1,311	-
At end of the financial period/year	<u>18,777</u>	<u>17,466</u>

13 Other Assets

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Other debtors, deposits and prepayments	18,200	24,984	17,899	24,484
	<u>18,200</u>	<u>24,984</u>	<u>17,899</u>	<u>24,484</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

14 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Demand deposits	121,459	129,803	131,432	137,235
Savings deposits	31,652	28,035	31,652	28,035
Fixed deposits	968,181	576,088	968,181	576,088
Negotiable instruments of deposits	150,488	80,156	150,488	80,156
Others	1,600	1,600	1,600	1,600
	1,273,380	815,682	1,283,353	823,114

(ii) By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	13,668	1,600	13,668	1,600
Business enterprises	824,915	535,374	834,888	542,806
Individuals	416,154	268,543	416,154	268,543
Others	18,643	10,165	18,643	10,165
	1,273,380	815,682	1,283,353	823,114

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

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
Due within six months	877,202	565,491
Six months to one year	230,469	90,753
More than one year	10,998	-
	1,118,669	656,244

15 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2011	2010
	RM'000	RM'000
Licensed banks	1,403,906	940,417
	1,403,906	940,417

16 Other Liabilities

	Group		Bank	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	4,999	5,810	4,651	5,153
Margin deposits	10,061	7,958	10,061	7,958
Other liabilities	19,915	40,849	19,044	39,748
	34,975	54,617	33,756	52,859

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

17 Interest income

	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	11,387	5,613	21,550	10,233
Money at call and deposit placement with financial institutions	6,700	4,828	12,616	8,784
Securities				
- Held-to-maturity investments	304	376	674	747
	<u>18,391</u>	<u>10,817</u>	<u>34,840</u>	<u>19,764</u>
Amortisation of premium less accretion of discount	10	32	42	63
Total interest income	<u>18,401</u>	<u>10,849</u>	<u>34,882</u>	<u>19,827</u>

18 Interest Expense

	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Deposits and placements of banks and other financial institutions	2,790	2,679	5,621	3,873
Deposits from customers	6,598	1,957	11,553	4,303
Others	20	64	33	72
	<u>9,408</u>	<u>4,700</u>	<u>17,207</u>	<u>8,248</u>

19 Other operating income

Group	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Fees income:				
- Fee on loans and advances	667	710	1,344	1,187
- Service charges and fees	4,484	4,406	8,477	8,625
- Guarantee fees	489	553	1,412	1,035
	<u>5,640</u>	<u>5,669</u>	<u>11,233</u>	<u>10,847</u>
Foreign exchange income:				
- Realised	1,968	3,618	5,059	4,117
- Unrealised	154	(959)	27	264
Gain from disposal of property and equipment	-	-	30	-
Other income	5	-	5	3
	<u>7,767</u>	<u>8,328</u>	<u>16,354</u>	<u>15,231</u>

Bank	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Fees income:				
- Fee on loans and advances	667	710	1,344	1,187
- Service charges and fees	1,582	1,426	2,907	2,846
- Guarantee fees	489	553	1,412	1,035
	<u>2,738</u>	<u>2,689</u>	<u>5,663</u>	<u>5,068</u>
Foreign exchange income:				
- Realised	1,968	3,618	5,059	4,117
- Unrealised	154	(959)	27	264
Gain from disposal of property and equipment	-	-	30	-
Other income	30	30	60	63
	<u>4,890</u>	<u>5,378</u>	<u>10,839</u>	<u>9,512</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

20 Other operating expenses Group

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	4,905	3,734	9,407	7,526
Salaries & wages (includes CEO / EDs)	2,631	2,311	5,263	4,613
Bonuses	1,110	798	2,110	1,563
Defined contribution plan ("EPF")	502	401	993	804
Staff welfare expenses	340	92	476	266
Other personnel costs	322	132	565	280
Marketing expenses	177	176	334	308
Entertainment	137	107	270	201
Other marketing	40	69	64	107
Establishment costs	1,877	1,420	3,520	2,805
Rental of premises	829	605	1,637	1,209
Depreciation	390	299	753	574
Amortisation	18	121	39	243
Repairs and maintenance	94	122	257	302
Other establishment costs	546	273	834	477
Administration and general expenses	1,254	2,416	2,118	3,254
Insurance premium	143	253	209	320
Auditors' remuneration - statutory audit fees	95	55	95	55
- other fees	-	50	-	50
Travelling and accommodation	118	34	199	76
Telecommunication and utilities	130	102	267	198
Printing, stationery and postage	121	127	283	387
Legal and professional fees	57	1,557	140	1,728
Other administration and general expenses	590	238	925	440
	8,213	7,746	15,379	13,893

Bank

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	4,318	3,280	8,298	6,718
Salaries & wages (includes CEO / EDs)	2,301	2,036	4,592	4,102
Bonuses	962	681	1,855	1,381
Defined contribution plan ("EPF")	465	375	920	754
Staff welfare expenses	282	72	391	233
Other personnel costs	308	116	540	248
Marketing expenses	166	167	322	299
Entertainment	126	102	259	195
Other marketing	40	65	63	104
Establishment costs	1,568	1,194	2,986	2,351
Rental of premises	645	451	1,291	902
Depreciation	331	250	662	479
Amortisation	18	120	36	240
Repairs and maintenance	88	122	248	289
Property and equipment written off	-	-	-	-
Other establishment costs	486	251	749	441
Administration and general expenses	1,181	2,317	2,007	3,129
Insurance premium	144	251	207	318
Auditors' remuneration - statutory audit fees	75	55	75	55
- other fees	-	50	-	50
Travelling and accommodation	118	34	199	86
Telecommunication and utilities	121	95	248	177
Printing, stationery and postage	109	115	256	367
Legal and professional fees	51	1,495	134	1,661
Other administration and general expenses	563	222	888	415
	7,233	6,958	13,613	12,497

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

21 Allowance for impairment on loans and advances

	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June <u>2011</u>	30 June <u>2010</u>	30 June <u>2011</u> RM'000	30 June <u>2010</u> RM'000
Allowance for impairment on loans and advances				
(a) Individual assessment allowance				
- Made in the financial period	-	10	-	22
- Written back in the financial period	-	-	-	-
(b) Collective assessment allowance	1,311	-	1,311	-
- Made in the financial period	1,311	10	1,311	22

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

23 Capital adequacy

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

	Bank	
	30 June 2011 RM'000	31 December 2010 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profits	16,909	16,909
Other reserves	58,378	58,378
	379,287	379,287
Less: Deferred tax assets	(5,557)	(5,557)
Total Tier-1 Capital	373,730	373,730
<u>Tier-2 capital</u>		
Collective allowance for impairment	18,777	17,466
Total Tier-2 Capital	18,777	17,466
Less: investment in a subsidiary	(1,000)	(1,000)
Total capital base	391,507	390,196
<u>Capital ratios</u>		
Core capital ratio	21.4%	25.5%
Risk-weighted capital ratio	22.4%	26.7%

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

Credit risk	1,652,570	1,377,555
Market risk	6,899	4,300
Operational risk	87,084	81,759
Total risk-weighted assets	1,746,553	1,463,614

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.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

23 Capital Adequacy (Continued)

(c) The breakdown of risk-weighted assets ('RWA') by exposures in each major risk category as follows:

Bank 30 June 2011 Exposure Class	Gross exposure RM'000	Net exposure RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	1,021,241	1,021,241	-	-
Banks, development financial institutions & MDBs*	857,126	857,126	171,425	13,714
Corporate	1,202,337	1,202,337	1,137,776	91,022
Residential mortgages	9,367	9,367	3,570	286
Other assets	37,542	37,542	8,589	687
Total on-balance sheet exposure	3,127,613	3,127,613	1,321,360	105,709
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	544,689	544,689	331,210	26,497
Total credit risk	3,672,302	3,672,302	1,652,570	132,206
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk		6,899	6,899	552
(iii) Operational Risk			87,084	6,967
Total risk weighted assets and capital requirement			1,746,553	139,724

* Multi-lateral Development Banks ('MDBs')

Bank 31 December 2010 Exposure Class	Gross exposure RM'000	Net exposure RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	670,408	670,408	-	-
Banks, development financial institutions & MDBs*	581,575	581,575	130,203	10,416
Corporate	905,941	905,941	877,355	70,188
Residential mortgages	11,968	11,968	4,644	372
Other assets	41,194	41,194	9,034	723
Total on-balance sheet exposure	2,211,086	2,211,086	1,021,236	81,699
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	569,212	569,212	356,319	28,506
Total credit risk	2,780,298	2,780,298	1,377,555	110,204
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk		4,300	4,300	344
(iii) Operational Risk			81,759	6,541
Total risk weighted assets and capital requirement			1,463,614	117,089

* Multi-lateral Development Banks ('MDBs')

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

23 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

<u>Bank</u> <u>30 June 2011</u>	← Exposures after Netting and Credit Risk Mitigation →					<u>Total exposure</u> <u>after netting</u> <u>and credit risk</u> <u>mitigation</u>	<u>Total risk</u> <u>weighted</u> <u>assets</u>
<u>Supervisory</u> <u>Risk weights</u>	<u>Sovereigns</u> <u>and central</u> <u>banks</u> RM'000	<u>Banks,</u> <u>MDBs</u> <u>and FDIs</u> RM'000	<u>Corporate</u> RM'000	<u>Residential</u> <u>mortgages</u> RM'000	<u>Other</u> <u>assets</u> RM'000	RM'000	RM'000
0%	1,021,241	-	26,703	88	23,423	1,071,455	-
20%	-	857,126	-	-	6,913	864,039	172,808
35%	-	-	-	7,412	-	7,412	2,594
50%	-	413,304	94,939	3,196	-	511,439	255,720
100%	-	-	1,203,769	-	7,206	1,210,975	1,210,975
150%	-	-	6,982	-	-	6,982	10,473
Total	<u>1,021,241</u>	<u>1,270,430</u>	<u>1,332,393</u>	<u>10,696</u>	<u>37,542</u>	<u>3,672,302</u>	<u>1,652,570</u>
Risk weighted asset By exposure	-	378,077	1,261,712	4,192	8,589	1,652,570	
Average risk weight	0.0%	29.8%	94.7%	39.2%	22.9%	45.0%	

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

23 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

Bank 31 December 2010	← Exposures after Netting and Credit Risk Mitigation →					<u>Total exposure after netting and credit risk mitigation</u>	<u>Total risk weighted assets</u>
<u>Supervisory Risk weights</u>	<u>Sovereigns and central banks</u> RM'000	<u>Banks, MDBs and FDIs</u> RM'000	<u>Corporate</u> RM'000	<u>Residential mortgages</u> RM'000	<u>Other assets</u> RM'000	RM'000	RM'000
0%	670,408	-	23,331	39	27,825	721,603	-
20%	-	535,281	15,463	-	5,419	556,163	111,233
35%	-	-	-	9,033	-	9,033	3,161
50%	-	464,004	-	4,108	-	468,112	234,056
100%	-	-	1,010,002	-	7,950	1,017,953	1,017,953
150%	-	-	7,435	-	-	7,435	11,153
Total	<u>670,408</u>	<u>999,285</u>	<u>1,056,231</u>	<u>13,180</u>	<u>41,194</u>	<u>2,780,299</u>	<u>1,377,555</u>
Risk weighted asset By exposure	-	339,058	1,024,247	5,216	9,034	1,377,555	
Average risk weight	0.0%	33.9%	97.0%	39.6%	21.9%	49.5%	

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

24 Commitments and contingencies

	30 June 2011			Group and Bank		
				31 December 2010		
	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit</u>	<u>Risk</u>
<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Direct credit substitutes	793	793	793	540	540	540
Transaction-related contingent items	535,474	267,737	131,735	534,458	267,229	132,439
Short-term self-liquidation trade related contingencies	2,451	490	83	1,126	225	203
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	299,689	59,938	58,977	434,649	86,930	86,461
- Maturity exceeding one year	431,462	215,731	139,622	428,576	214,288	136,676
Foreign exchange related contracts:						
- Less than one year	19,673	-	-	12,744	-	-
Others	2,822	-	-	16,548	-	-
Total	1,292,364	544,689	331,210	1,428,641	569,212	356,319

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

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2011**

25 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 June 2011	31 December 2010
Outstanding credit exposures with connected parties (RM'000)	<u>298,372</u>	<u>190,262</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>17%</u>	<u>13%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

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.

26 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 June 2011.

27 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.

28 Events subsequent to Balance Sheet Date

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

29 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 2nd quarter ended 30 June 2011.