

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

| | Note | Group | | Bank | |
|--|------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | 30 SEPTEMBER 2014 RM'000 | 31 December 2013 RM'000 | 30 SEPTEMBER 2014 RM'000 | 31 December 2013 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | 9 | 4,598,235 | 4,463,675 | 4,596,520 | 4,461,023 |
| Deposits and placements with banks and other financial institutions | 10 | 764,692 | 1,347,112 | 764,692 | 1,347,112 |
| Derivative assets | 11 | 2,897 | 1,222 | 2,897 | 1,222 |
| Held-to-maturity securities | 12 | 251,761 | 252,459 | 251,761 | 252,459 |
| Loans and advances | 13 | 4,660,916 | 2,796,973 | 4,660,916 | 2,796,973 |
| Other assets | 14 | 21,633 | 13,926 | 20,729 | 13,109 |
| Tax recoverable | | 5,514 | - | 5,514 | - |
| Deferred tax assets | | 4,259 | 3,580 | 4,259 | 3,503 |
| Statutory deposits with Bank Negara Malaysia | | 114,800 | 77,800 | 114,800 | 77,800 |
| Investment in a subsidiary | | - | - | 1,000 | 1,000 |
| Property and equipment | | 26,158 | 16,357 | 23,156 | 13,647 |
| Intangible assets | | 42 | 108 | 40 | 106 |
| TOTAL ASSETS | | 10,450,907 | 8,973,212 | 10,446,284 | 8,967,954 |
| LIABILITIES | | | | | |
| Deposits from customers | 15 | 5,128,539 | 3,205,471 | 5,136,717 | 3,213,514 |
| Deposits and placements of banks and other financial institutions | 16 | 4,187,742 | 5,073,592 | 4,187,742 | 5,073,592 |
| Derivative liabilities | 11 | 2,375 | 712 | 2,375 | 712 |
| Other liabilities | 17 | 71,068 | 175,624 | 67,325 | 173,139 |
| Provision for taxation | | 5,585 | 1,434 | 5,514 | 961 |
| Deferred tax liabilities | | 3 | - | - | - |
| TOTAL LIABILITIES | | 9,395,312 | 8,456,833 | 9,399,673 | 8,461,918 |
| EQUITY | | | | | |
| Share capital | | 760,518 | 304,000 | 760,518 | 304,000 |
| Reserves | | 295,077 | 212,379 | 286,093 | 202,036 |
| TOTAL EQUITY | | 1,055,595 | 516,379 | 1,046,611 | 506,036 |
| TOTAL LIABILITIES AND EQUITY | | 10,450,907 | 8,973,212 | 10,446,284 | 8,967,954 |
| COMMITMENTS AND CONTINGENCIES | 24 | 3,660,185 | 2,601,513 | 3,660,185 | 2,601,513 |

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
NINE MONTHS ENDED 30 SEPTEMBER 2014

| Group | Note | 3rd Quarter Ended | | Nine Months Ended | |
|---|------|-------------------|--------------|-------------------|--------------|
| | | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 18 | 117,725 | 59,327 | 335,200 | 162,241 |
| Interest expense | 19 | (70,704) | (36,040) | (204,827) | (100,434) |
| Net interest income | | 47,021 | 23,287 | 130,373 | 61,807 |
| Other operating income | 20 | 17,105 | 7,320 | 40,510 | 24,418 |
| Other operating expenses | 21 | (17,787) | (12,095) | (48,429) | (38,017) |
| Operating profit | | 46,339 | 18,512 | 122,454 | 48,208 |
| Allowance for impairment on loans and advances | 22 | - | - | (8,434) | - |
| Profit before taxation | | 46,339 | 18,512 | 114,020 | 48,208 |
| Taxation | | (10,380) | (5,776) | (31,322) | (14,038) |
| Profit for the financial period, representing total comprehensive income for the period | | 35,959 | 12,736 | 82,698 | 34,170 |

| Bank | | 3rd Quarter Ended | | Nine Months Ended | |
|---|----|-------------------|--------------|-------------------|--------------|
| | | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 18 | 117,725 | 59,327 | 335,200 | 162,241 |
| Interest expense | 19 | (70,704) | (36,040) | (204,827) | (100,434) |
| Net interest income | | 47,021 | 23,287 | 130,373 | 61,807 |
| Other operating income | 20 | 22,372 | 4,827 | 35,994 | 17,223 |
| Other operating expenses | 21 | (16,518) | (10,774) | (44,306) | (34,735) |
| Operating profit | | 52,875 | 17,340 | 122,061 | 44,295 |
| Allowance for impairment on loans and advances | 22 | - | - | (8,434) | - |
| Profit before taxation | | 52,875 | 17,340 | 113,627 | 44,295 |
| Taxation | | (10,503) | (5,273) | (29,570) | (12,833) |
| Profit for the financial period, representing total comprehensive income for the period | | 42,372 | 12,067 | 84,057 | 31,462 |

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

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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| | Share capital | Non-distributable statutory reserves | Distributable retained profits | Total |
|---|----------------|--|--------------------------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | |
| Balance as at 1 January 2014 | 304,000 | 119,561 | 92,818 | 516,379 |
| Total comprehensive income for the period | - | - | 82,698 | 82,698 |
| Issue of share capital | 456,518 | - | - | 456,518 |
| At 30 SEPTEMBER 2014 | 760,518 | 119,561 | 175,516 | 1,055,595 |
| | | | | |
| Balance as at 1 January 2013 | 304,000 | 93,688 | 61,831 | 459,519 |
| Total comprehensive income for the period | - | - | 34,170 | 34,170 |
| At 30 SEPTEMBER 2013 | 304,000 | 93,688 | 96,001 | 493,689 |
| | | | | |
| Bank | | | | |
| Balance as at 1 January 2014 | 304,000 | 119,561 | 82,475 | 506,036 |
| Total comprehensive income for the period | - | - | 84,057 | 84,057 |
| Issue of share capital | 456,518 | - | - | 456,518 |
| At 30 SEPTEMBER 2014 | 760,518 | 119,561 | 166,532 | 1,046,611 |
| | | | | |
| Balance as at 1 January 2013 | 304,000 | 93,688 | 56,602 | 454,290 |
| Total comprehensive income for the period | - | - | 31,462 | 31,462 |
| At 30 SEPTEMBER 2013 | 304,000 | 93,688 | 88,064 | 485,752 |

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| | <u>Group</u> | | <u>Bank</u> | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 30 SEPTEMBER <u>2014</u> | 30 SEPTEMBER <u>2013</u> | 30 SEPTEMBER <u>2014</u> | 30 SEPTEMBER <u>2013</u> |
| Note | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 114,020 | 48,208 | 113,627 | 44,295 |
| <i>Adjustment for:</i> | | | | |
| Depreciation of property and equipment | 1,471 | 1,521 | 1,302 | 1,369 |
| Amortisation of intangible assets | 83 | 220 | 82 | 54 |
| Amortisation of premium less accretion of discount | 139 | 213 | 139 | 213 |
| Allowance for losses on loans and advances | 8,434 | - | 8,434 | - |
| Interest income from held-to-maturity securities | (5,962) | (2,952) | (5,962) | (2,952) |
| Unrealised foreign exchange loss/(gain) | 1,276 | (385) | 1,276 | (385) |
| Net loss on revaluation of derivative | (12) | 1,314 | (12) | 1,314 |
| Dividend Income | - | - | (10,000) | - |
| Gain form sale of precious metal | (1,247) | - | (1,247) | - |
| Operating profit before changes in operating assets and liabilities | 118,202 | 48,139 | 107,639 | 43,908 |
| (INCREASE)/DECREASE IN OPERATING ASSETS | | | | |
| Deposits and placements with banks and other financial institutions | 582,420 | (1,050,022) | 582,420 | (1,050,022) |
| Loans and advances | (1,872,377) | (490,205) | (1,872,377) | (490,205) |
| Other assets | (7,736) | 13,804 | (7,649) | 14,163 |
| Statutory deposits with Bank Negara Malaysia | (37,000) | (21,900) | (37,000) | (21,900) |
| INCREASE/(DECREASE) IN OPERATING LIABILITIES | | | | |
| Deposits from customers | 1,923,068 | 309,457 | 1,923,203 | 311,608 |
| Deposits and placements of banks and other financial institutions | (885,850) | 2,023,199 | (885,850) | 2,023,199 |
| Other liabilities | (104,556) | (13,590) | (105,814) | (14,524) |
| Cash generated from operating activities | (283,829) | 818,882 | (295,428) | 816,227 |
| Taxation paid | (33,361) | (13,461) | (31,287) | (12,296) |
| Net cash generated from operating activities | (317,190) | 805,421 | (326,715) | 803,931 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| | Group | | Bank | |
|--|------------------------------|----------------------|----------------------|----------------------|
| | 30 SEPTEMBER 2014 | 30 SEPTEMBER 2013 | 30 SEPTEMBER 2014 | 30 SEPTEMBER 2013 |
| Note | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | (11,272) | (2,114) | (10,811) | (1,665) |
| Purchase of intangible assets | (17) | (253) | (16) | (85) |
| Purchases of held-to-maturity securities | (315,000) | (403,023) | (315,000) | (403,023) |
| Proceeds from maturity of held-to-maturity securities | 315,000 | 182,000 | 315,000 | 182,000 |
| Interest received on held-to-maturity securities | 6,521 | 2,952 | 6,521 | 2,952 |
| Dividends received | - | - | 10,000 | - |
| Net cash generated from investing activities | <u>(4,768)</u> | <u>(220,438)</u> | <u>5,694</u> | <u>(219,821)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from issue of share capital | <u>456,518</u> | <u>-</u> | <u>456,518</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD | 134,560 | 584,983 | 135,497 | 584,110 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD | <u>4,463,675</u> | <u>1,929,445</u> | <u>4,461,023</u> | <u>1,929,298</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD | 9 <u>4,598,235</u> | <u>2,514,428</u> | <u>4,596,520</u> | <u>2,513,408</u> |

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the nine months ended 30 September 2014 was higher as compared with the corresponding period in 2013 mainly due to higher net interest income and higher other operating income. This was offset by higher other operating expenses and allowance made for impairment on loans and advances. The Bank continued to exercise prudence risk management. At the same time emphasis will be placed on the development of other conventional commercial banking products.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS")134, Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"), and the International Accounting Standards ("IAS") 34, *Interim Financial Reporting issued by the International Accounting Standards Board ("IASB")*.

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013. The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013.

The following Amendments to MFRS and IC Interpretation have been adopted by the Group and the Bank during the current financial period:

| | |
|------------------------|---|
| Amendments to MFRS 10 | Consolidated Financial Statements: Investment Entities |
| Amendments to MFRS 12 | Disclosure on Interests in Other Entities: Investment Entities |
| Amendments to MFRS 127 | Separate Financial Statements (2011): Investment Entities |
| Amendments to MFRS 132 | Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities |
| Amendments to MFRS 136 | Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

Effective for annual periods commencing on or after 1 July 2014

| | |
|------------------------|---|
| Amendments to MFRS 13 | Fair Value Measurement |
| Amendments to MFRS 119 | Employee Benefits - Defined Benefit Plans: Employee Contributions |

Effective for annual periods commencing on a date to be confirmed

| | |
|----------------------|--|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in November 2009) |
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in October 2010) |
| MFRS 9 | Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139 |
| Amendments to MFRS 7 | Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures |

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

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

3 Audit Report

The audit report for the financial period ended 31 December 2013 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 for the 3rd quarter and nine months ended 30 September 2014.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the 3rd quarter and nine months ended 30 September 2014.

7 Changes in Debt and Equity Securities

During the nine months ended 30 September 2014, the authorised share capital of the Bank has increased from RM304,000,000.00 divided into 304,000,000 Ordinary Shares of RM1.00 each to RM804,000,000.00 divided into 804,000,000 Ordinary Shares of RM1.00 each by the creation of an additional 500,000,000 Ordinary Shares of RM1.00 each.

The issue and paid up share capital of the Bank has increased from RM304,000,000 to RM760,518,480 by an allotment of 456,518,480 ordinary shares of RM1.00 each.

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 during the nine months ended 30 September 2014.

8 Dividend paid

No dividend was paid during the 3rd quarter and nine months ended 30 September 2014.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

9 Cash and short-term funds

| | Group | | Bank | |
|---|---------------------|--------------------|---------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 556,526 | 573,565 | 554,810 | 570,913 |
| Money at call and deposit placements maturing within 1 month | 4,041,709 | 3,890,110 | 4,041,710 | 3,890,110 |
| | 4,598,235 | 4,463,675 | 4,596,520 | 4,461,023 |

10 Deposits and placements with banks and other financial institutions

| | Group and Bank | |
|------------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Other financial institutions | 764,692 | 1,347,112 |
| | 764,692 | 1,347,112 |

11 Derivative Assets/(Liabilities)

| | Group and Bank | |
|------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Derivative assets | 2,897 | 1,222 |
| Derivative liabilities | (2,375) | (712) |
| | 522 | 510 |

12 Held-to-maturity securities

| | Group and Bank | |
|------------------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| At amortised cost | | |
| Money market instrument: | | |
| Malaysian Government Securities | 206,645 | 207,435 |
| Negotiable instruments of deposits | 45,116 | 45,024 |
| | 251,761 | 252,459 |

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

13 Loans and advances

At amortised cost

(i) By type

| | Group and Bank | |
|---|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Overdrafts | 607,946 | 343,045 |
| Terms loans | | |
| - Housing loans | 189,043 | 89,179 |
| - Syndicated term loans | 340,987 | 338,493 |
| - Other term loans | 1,166,221 | 1,025,562 |
| Bills receivables | 1,338,799 | 384,888 |
| Trust receipts | 29,249 | 2,322 |
| Claims on customers under acceptance credits | 313,406 | 181,220 |
| Revolving credits | 707,352 | 455,735 |
| Staff loans | 2,312 | 2,494 |
| Total gross loans and advances | <u>4,695,315</u> | <u>2,822,938</u> |
| Less: Allowance for impaired loans and advances | | |
| - Collective assessment allowance | (33,500) | (25,066) |
| - Individual assessment allowance | (899) | (899) |
| Total net loans and advances | <u>4,660,916</u> | <u>2,796,973</u> |

(ii) By geographical distribution

| | Group and Bank | |
|-----------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Malaysia | 3,303,332 | 2,377,536 |
| Other countries | 1,391,983 | 445,402 |
| | <u>4,695,315</u> | <u>2,822,938</u> |

(iii) By interest rate sensitivity

| | Group and Bank | |
|-------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Fixed rate | | |
| - Other fixed rate loan | 29 | 356,935 |
| Variable rate | | |
| - BLR plus | 2,053,152 | 1,466,242 |
| - Cost plus | 2,488,894 | 542,644 |
| - Other variable rates | 153,240 | 457,117 |
| | <u>4,695,315</u> | <u>2,822,938</u> |

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

13 Loans and advances (continued)

(iv) By purpose

| | Group and Bank | |
|---|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Purchase of securities | 86,475 | 116,156 |
| Purchase of transport vehicles | 29 | 21 |
| Purchase of landed property : | | |
| - Residential | 203,919 | 103,715 |
| - Non-residential | 675,752 | 552,755 |
| Purchase of fixed assets other than land and building | 5,296 | 6,416 |
| Personal use | 234,009 | 87,151 |
| Construction | 124,791 | 70,669 |
| Working capital | 3,296,898 | 1,833,903 |
| Other purpose | 68,146 | 52,152 |
| | 4,695,315 | 2,822,938 |

(v) By residual contractual maturity

| | Group and Bank | |
|--|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Up to one month | 1,258,474 | 436,719 |
| More than one month to three months | 813,529 | 516,867 |
| More than three months to nine months | 888,233 | 52,388 |
| More than nine months to twelve months | 55,743 | 37,723 |
| More than twelve months | 1,679,336 | 1,779,241 |
| | 4,695,315 | 2,822,938 |

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

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

| | Group and Bank | |
|---|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| At beginning of financial period/year | 12,341 | 14,072 |
| Classified as impaired during the period/year | 4,626 | 59 |
| Amount recovered | (1,270) | (1,790) |
| Reclassified as non-impaired | (1,746) | - |
| At end of financial period/year | 13,951 | 12,341 |
| Individual assesment allowance | (899) | (899) |
| Net impaired loans and advances | 13,052 | 11,442 |
| Ratio of net impaired loans and advances to gross loans | 0.278% | 0.405% |

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13 Loans and advances (continued)

(b) By geographical

| | Group and Bank | |
|----------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Malaysia | 13,951 | 12,341 |

(c) By purposes

| | Group and Bank | |
|----------------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Purchase of residential property | 2,991 | 133 |
| Working capital | 10,960 | 12,208 |
| | 13,951 | 12,341 |

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

| | Group and Bank | |
|---|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Collective assessment allowance | | |
| At beginning of the financial period/year | 25,066 | 20,809 |
| Allowance made during the financial period/year | 8,434 | 4,257 |
| At end of the financial period/year | 33,500 | 25,066 |
| Individual assessment allowance | | |
| At beginning of the financial period/year | 899 | 11 |
| Allowance made during the financial period/year | - | 888 |
| At end of the financial period/year | 899 | 899 |

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

14 Other Assets

| | Group | | Bank | |
|-------------------|---------------------|--------------------|---------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 19,563 | 11,740 | 19,063 | 11,497 |
| Sundry deposits | 2,050 | 1,947 | 1,666 | 1,373 |
| Prepayment | 20 | 239 | - | 239 |
| | <u>21,633</u> | <u>13,926</u> | <u>20,729</u> | <u>13,109</u> |

15 Deposits from Customers

(i) By type of deposits

| | Group | | Bank | |
|-----------------------------------|---------------------|--------------------|---------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Demand deposits | 250,537 | 333,458 | 258,716 | 341,501 |
| Savings deposits | 89,328 | 77,822 | 89,328 | 77,822 |
| Fixed deposits | 4,588,078 | 2,794,191 | 4,588,077 | 2,794,191 |
| Negotiable instrument of deposits | 200,596 | - | 200,596 | - |
| | <u>5,128,539</u> | <u>3,205,471</u> | <u>5,136,717</u> | <u>3,213,514</u> |

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

| | Group and Bank | |
|-------------------------|-----------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Due within nine months | 4,331,123 | 2,168,754 |
| Nine months to one year | 446,642 | 624,936 |
| More than one year | 10,908 | 501 |
| | <u>4,788,673</u> | <u>2,794,191</u> |

(iii) By type of customer

| | Group | | Bank | |
|---------------------------------|---------------------|--------------------|---------------------|--------------------|
| | 30 SEPTEMBER | 31 DECEMBER | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 10,205 | - | 10,205 | - |
| Business enterprises | 1,446,359 | 1,078,557 | 1,446,359 | 1,078,557 |
| Individuals | 1,639,629 | 1,197,219 | 1,639,629 | 1,197,219 |
| Others | 2,032,346 | 929,695 | 2,040,524 | 937,738 |
| | <u>5,128,539</u> | <u>3,205,471</u> | <u>5,136,717</u> | <u>3,213,514</u> |

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16 Deposits and placements of banks and other financial institutions

| | Group and Bank | |
|------------------------------|-------------------------|-------------------------|
| | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 |
| Bank Negara Malaysia | 811,943 | 912,552 |
| Licensed banks | 3,278,493 | 4,064,666 |
| Licensed investment banks | 97,211 | 92,700 |
| Licensed islamic banks | 95 | 3,670 |
| Other financial institutions | - | 4 |
| | <u>4,187,742</u> | <u>5,073,592</u> |

17 Other liabilities

| | Group | | Bank | |
|-------------------|----------------------|-----------------------|----------------------|-----------------------|
| | 30 SEPTEMBER | 31 DECEMBER | 30 SEPTEMBER | 31 DECEMBER |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Accrued expenses | 18,943 | 18,872 | 17,870 | 17,319 |
| Margin deposits | 15,122 | 10,243 | 15,122 | 10,243 |
| Other liabilities | 37,003 | 146,509 | 34,333 | 145,577 |
| | <u>71,068</u> | <u>175,624</u> | <u>67,325</u> | <u>173,139</u> |

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18 Interest income

| | 3rd Quarter Ended | | Nine Months Ended | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Group and Bank | | Group and Bank | |
| | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | | | | |
| - Interest income on non-impaired loans | 56,315 | 27,461 | 144,147 | 76,641 |
| - Interest income on impaired loans | 226 | 201 | 648 | 709 |
| Money at call and deposit placement with financial institutions | 59,241 | 30,062 | 184,582 | 82,152 |
| Securities | | | | |
| - Held-to-maturity investments | 1,990 | 1,668 | 5,962 | 2,952 |
| | 117,772 | 59,392 | 335,339 | 162,454 |
| Amortisation of premium less accretion of discount | (47) | (65) | (139) | (213) |
| Total interest income | 117,725 | 59,327 | 335,200 | 162,241 |

19 Interest Expense

| | 3rd Quarter Ended | | Nine Months Ended | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | Group and Bank | | Group and Bank | |
| | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 33,842 | 18,613 | 109,739 | 51,604 |
| Deposits from customers | 36,816 | 17,408 | 95,025 | 48,787 |
| Others | 46 | 19 | 63 | 43 |
| | 70,704 | 36,040 | 204,827 | 100,434 |

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20 Other operating income

| | 3rd Quarter Ended | | Nine Months Ended | |
|------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| Group | RM'000 | RM'000 | RM'000 | RM'000 |
| Fees income: | | | | |
| - Fee on loans and advances | 4,219 | 1,647 | 12,445 | 5,381 |
| - Service charges and fees | 8,644 | 5,127 | 26,484 | 15,547 |
| - Guarantee fees | 1,479 | 1,241 | 5,617 | 3,179 |
| | 14,342 | 8,015 | 44,546 | 24,107 |
| Fees expense: | | | | |
| - Commission related expenses | (2,597) | (1,766) | (7,952) | (4,921) |
| Net fee income | 11,745 | 6,249 | 36,594 | 19,186 |
| Foreign exchange income: | | | | |
| - Realised | (33,692) | 4,490 | 3,909 | 5,998 |
| - Unrealised | 21,318 | (7,868) | (1,276) | 385 |
| Gain on revaluation of derivatives | 17,243 | 4,359 | 12 | (1,314) |
| Gain from sale of precious metal | 527 | - | 1,247 | - |
| Other income | (36) | 90 | 24 | 163 |
| | 17,105 | 7,320 | 40,510 | 24,418 |

| | 3rd Quarter Ended | | Nine Months Ended | |
|------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| Bank | RM'000 | RM'000 | RM'000 | RM'000 |
| Fees income: | | | | |
| - Fee on loans and advances | 4,249 | 1,647 | 12,445 | 5,381 |
| - Service charges and fees | 1,194 | 928 | 3,926 | 3,431 |
| - Guarantee fees | 1,479 | 1,241 | 5,617 | 3,179 |
| | 6,922 | 3,816 | 21,988 | 11,991 |
| Foreign exchange income: | | | | |
| - Realised | (33,692) | 4,490 | 3,909 | 5,998 |
| - Unrealised | 21,318 | (7,868) | (1,276) | 385 |
| Gain on revaluation of derivatives | 17,243 | 4,359 | 12 | (1,314) |
| Gain from sale of precious metal | 527 | - | 1,247 | - |
| Other income | 54 | 30 | 114 | 163 |
| Dividend income | 10,000 | - | 10,000 | - |
| | 22,372 | 4,827 | 35,994 | 17,223 |

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21 Other operating expenses
Group

| | 3rd Quarter Ended | | Nine Months Ended | |
|--|-------------------|---------------|-------------------|---------------|
| | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER | 30 SEPTEMBER |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Personnel expenses</u> | | | | |
| Salaries & wages | 6,179 | 4,802 | 17,362 | 14,309 |
| Bonuses | 4,384 | 2,077 | 9,852 | 6,055 |
| Defined contribution plan ("EPF") | 1,395 | 918 | 3,557 | 2,694 |
| Staff welfare expenses | 298 | 207 | 1,017 | 831 |
| Other personnel costs | 1,011 | 834 | 2,320 | 2,361 |
| | <u>13,267</u> | <u>8,838</u> | <u>34,108</u> | <u>26,250</u> |
| <u>Marketing expenses</u> | | | | |
| Entertainment | 311 | 190 | 776 | 646 |
| Other marketing | 401 | (18) | 618 | 179 |
| | <u>712</u> | <u>172</u> | <u>1,394</u> | <u>825</u> |
| <u>Establishment costs</u> | | | | |
| Rental of premises | 1,703 | 1,201 | 4,997 | 3,417 |
| Depreciation | 492 | 498 | 1,471 | 1,521 |
| Amortisation | 28 | 166 | 83 | 220 |
| Repairs and maintenance | 59 | (262) | 205 | 165 |
| Information technology expenses | 603 | 218 | 1,410 | 1,530 |
| Other establishment costs | 57 | 549 | 325 | 711 |
| | <u>2,942</u> | <u>2,370</u> | <u>8,491</u> | <u>7,564</u> |
| <u>Administration and general expenses</u> | | | | |
| Insurance premium | 3 | 5 | 393 | 276 |
| Auditors' remuneration | | | | |
| - statutory audit fees | 36 | - | 133 | 80 |
| - other fees | 16 | 51 | 57 | 81 |
| Travelling and accommodation | 436 | 325 | 1,124 | 821 |
| Telecommunication and utilities | 312 | 191 | 775 | 553 |
| Printing, stationery and postage | 185 | 138 | 496 | 428 |
| Legal and professional fees | 168 | 187 | 315 | 342 |
| Other administration and general expenses | (290) | (182) | 1,143 | 797 |
| | <u>866</u> | <u>715</u> | <u>4,436</u> | <u>3,378</u> |
| | <u>17,787</u> | <u>12,095</u> | <u>48,429</u> | <u>38,017</u> |

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21 Other operating expenses (continued)
Bank

| | 3rd Quarter Ended | | Nine Months Ended | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 30 SEPTEMBER 2014 RM'000 | 30 SEPTEMBER 2013 RM'000 | 30 SEPTEMBER 2014 RM'000 | 30 SEPTEMBER 2013 RM'000 |
| <u>Personnel expenses</u> | | | | |
| Salaries & wages | 5,729 | 4,385 | 16,057 | 13,012 |
| Bonuses | 4,242 | 1,943 | 9,438 | 5,774 |
| Defined contribution plan ("EPF") | 1,330 | 863 | 3,367 | 2,549 |
| Staff welfare expenses | 239 | 175 | 859 | 730 |
| Other personnel costs | 994 | 794 | 2,258 | 2,228 |
| | <u>12,534</u> | <u>8,160</u> | <u>31,979</u> | <u>24,293</u> |
| <u>Marketing expenses</u> | | | | |
| Entertainment | 312 | 183 | 772 | 609 |
| Other marketing | 402 | (11) | 616 | 179 |
| | <u>714</u> | <u>172</u> | <u>1,388</u> | <u>788</u> |
| <u>Establishment costs</u> | | | | |
| Rental of premises | 1,354 | 780 | 3,705 | 2,622 |
| Depreciation | 433 | 442 | 1,302 | 1,369 |
| Amortisation | 27 | 165 | 82 | 219 |
| Repairs and maintenance | 87 | (264) | 191 | 159 |
| Property and equipment written off | 1 | - | 1 | - |
| Information technology expenses | 591 | 215 | 1,397 | 1,524 |
| Other establishment costs | 53 | 518 | 294 | 639 |
| | <u>2,546</u> | <u>1,856</u> | <u>6,972</u> | <u>6,532</u> |
| <u>Administration and general expenses</u> | | | | |
| Insurance premium | 3 | 6 | 388 | 274 |
| Auditors' remuneration | | | | |
| - statutory audit fees | 35 | - | 102 | 62 |
| - other fees | 15 | 46 | 51 | 76 |
| Travelling and accommodation | 427 | 319 | 1,075 | 788 |
| Telecommunication and utilities | 289 | 180 | 706 | 518 |
| Printing, stationery and postage | 149 | 129 | 392 | 398 |
| Legal and professional fees | 168 | 115 | 295 | 265 |
| Other administration and general expenses | (362) | (209) | 958 | 741 |
| | <u>724</u> | <u>586</u> | <u>3,967</u> | <u>3,122</u> |
| | <u>16,518</u> | <u>10,774</u> | <u>44,306</u> | <u>34,735</u> |

22 Allowance for impairment on loans and advances

| | 3rd Quarter Ended | | Nine Months Ended | |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Group and Bank | | Group and Bank | |
| | 30 SEPTEMBER 2014 RM'000 | 30 SEPTEMBER 2013 RM'000 | 30 SEPTEMBER 2014 RM'000 | 30 SEPTEMBER 2013 RM'000 |
| Collective assessment allowance | | | | |
| - Made during the financial period | - | - | 8,434 | - |
| | <u>-</u> | <u>-</u> | <u>8,434</u> | <u>-</u> |

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30 SEPTEMBER 2014**

23 Capital adequacy

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

| | <u>Group</u> | | <u>Bank</u> | |
|---|---------------------|--------------------|---------------------|--------------------|
| | <u>30 SEPTEMBER</u> | <u>31 December</u> | <u>30 SEPTEMBER</u> | <u>31 December</u> |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| <u>Common Equity Tier 1 (CET1) Capital</u> | | | | |
| Paid-up ordinary share capital | 760,519 | 304,000 | 760,519 | 304,000 |
| Retained profits | 92,818 | 92,818 | 82,475 | 82,475 |
| Other reserves | 119,561 | 119,561 | 119,561 | 119,561 |
| | 972,898 | 516,379 | 962,555 | 506,036 |
| Less: Deferred tax assets | (4,259) | (3,580) | (4,259) | (3,503) |
| Total CET1 capital / Total Tier 1 capital | 968,639 | 512,799 | 958,296 | 502,533 |
| <u>Tier-2 capital</u> | | | | |
| Collective assessment allowance | 33,500 | 25,066 | 33,500 | 25,066 |
| Total Tier-2 capital | 33,500 | 25,066 | 33,500 | 25,066 |
| Less: Investment in subsidiary | - | - | (1,000) | (1,000) |
| Total capital base | 1,002,139 | 537,865 | 990,796 | 526,599 |
| <u>Capital ratios</u> | | | | |
| CET 1 capital ratio | 21.625% | 13.597% | 21.437% | 13.415% |
| Tier 1 capital ratio | 21.625% | 13.597% | 21.437% | 13.415% |
| Total capital ratio | 22.373% | 14.262% | 22.164% | 14.058% |

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

| | <u>Group</u> | | <u>Bank</u> | |
|----------------------------|---------------------|--------------------|---------------------|--------------------|
| | <u>30 SEPTEMBER</u> | <u>31 December</u> | <u>30 SEPTEMBER</u> | <u>31 December</u> |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Credit risk | 4,196,608 | 3,560,008 | 4,206,464 | 3,555,948 |
| Market risk | 13,179 | 17,576 | 13,179 | 17,576 |
| Operational risk | 269,511 | 193,733 | 250,553 | 172,464 |
| Total risk-weighted assets | 4,479,298 | 3,771,317 | 4,470,196 | 3,745,988 |

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

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24 Commitments and contingencies

| | Group and Bank | | | | | |
|---|--------------------------|-----------------|----------------|-------------------------|-----------------|----------------|
| | 30 September 2014 | | | 31 December 2013 | | |
| | Principal | Credit | Risk | Principal | Credit | Risk |
| RM'000 | equivalent | weighted | RM'000 | equivalent | weighted | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Direct credit substitutes | 69,919 | 69,919 | 53,436 | 71,170 | 71,170 | 55,410 |
| Transaction-related contingent items | 932,481 | 466,241 | 213,125 | 1,107,380 | 553,690 | 212,149 |
| Short-term self-liquidation trade related contingencies | 47,799 | 9,560 | 9,560 | 4,289 | 858 | 858 |
| Irrevocable commitments to extend credit: | | | | | | |
| - Maturity not exceeding one year | 1,088,801 | 217,760 | 202,991 | 926,666 | 185,333 | 172,243 |
| - Maturity exceeding one year | 322,717 | 161,358 | 105,066 | 147,312 | 73,656 | 65,970 |
| Foreign exchange related contracts: | | | | | | |
| - Less than one year | 1,017,174 | 9,707 | 1,942 | 327,624 | 2,179 | 436 |
| Others | 181,294 | - | - | 17,072 | - | - |
| Total | 3,660,185 | 934,545 | 586,120 | 2,601,513 | 886,886 | 507,066 |

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25 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 September 2014.

26 Valuation of Property, Plant and Equipment

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

27 Events subsequent to Balance Sheet Date

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

28 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 3rd quarter and nine months ended 30 September 2014.