

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
ASSETS					
Cash and short-term funds	9	3,432,133	3,078,382	3,425,115	3,077,307
Deposits and placements with banks and other financial institutions	10	2,700,077	1,642,620	2,700,077	1,642,620
Derivative financial assets	11	1,525	275	1,525	275
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	262,099	-	262,099	-
Equity instrument at FVOCI	13	3,220	-	3,220	-
Debt instruments at amortised cost	14	372,524	-	372,524	-
Financial investments available-for-sale	15	-	409,228	-	409,228
Financial investments held-to-maturity	16	-	1,321,890	-	1,321,890
Loans and advances	17	6,552,051	5,881,389	6,552,051	5,881,389
Other assets	18	8,499	13,875	7,575	4,942
Deferred tax assets		16,604	5,997	16,409	5,807
Statutory deposits with Bank Negara Malaysia		98,400	112,300	98,400	112,300
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		60,109	62,678	58,914	61,040
Intangible assets		857	722	857	722
TOTAL ASSETS		13,508,098	12,529,356	13,499,766	12,518,520
LIABILITIES AND EQUITY					
Deposits from customers	19	8,767,692	8,223,878	8,773,233	8,230,906
Deposits and placements of banks and other financial institutions	20	1,841,235	1,465,999	1,841,235	1,465,999
Derivative financial liabilities	11	111	126	111	126
Other liabilities	21	128,758	166,286	125,039	163,435
Provision for taxation		7,600	1,000	7,600	500
Subordinated loan	22	1,288,759	1,258,626	1,288,759	1,258,626
TOTAL LIABILITIES		12,034,155	11,115,915	12,035,977	11,119,592
Share capital		760,518	760,518	760,518	760,518
Reserves		713,425	652,923	703,271	638,410
TOTAL EQUITY		1,473,943	1,413,441	1,463,789	1,398,928
TOTAL LIABILITIES AND EQUITY		13,508,098	12,529,356	13,499,766	12,518,520
COMMITMENTS AND CONTINGENCIES	29	4,761,564	4,724,674	4,761,564	4,724,674

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 2017

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	23	133,020	115,717	390,621	315,159
Interest expense	24	(82,038)	(64,534)	(216,385)	(165,115)
Net interest income		50,982	51,183	174,236	150,044
Other operating income	25	25,661	23,313	77,601	67,637
Other operating expenses	26	(36,822)	(27,577)	(105,076)	(80,354)
Operating profit before allowance for expected credit losses		39,821	46,919	146,761	137,327
Allowance for impairment on loans and advances	27	-	1,086	-	(17,506)
Allowance for expected credit losses on:					
- Financial assets measured at amortised cost	27	(1,867)	-	(8,068)	-
- Debt instruments at FVOCI	27	(19)	-	(19)	-
- Commitments and contingencies	27	2,666	-	(1,579)	-
Profit before taxation		40,601	48,005	137,095	119,821
Taxation		(10,830)	(11,134)	(37,747)	(29,343)
Profit for the financial period		29,771	36,871	99,348	90,478
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		(434)	828	(1,805)	520
Other comprehensive income, net of tax		(434)	828	(1,805)	520
Total comprehensive income for the period, net of tax		29,337	37,699	97,543	90,998
Earnings per share					
- Basic/fully diluted (sen)		3.91	4.85		

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 2017

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	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	23	133,020	115,717	390,621	315,159
Interest expense	24	(82,038)	(64,534)	(216,385)	(165,115)
Net interest income		50,982	51,183	174,236	150,044
Other operating income	25	19,184	16,925	72,908	62,121
Other operating expenses	26	(34,828)	(25,810)	(99,119)	(75,453)
Operating profit before allowance for expected credit losses		35,338	42,298	148,025	136,712
Allowance for impairment on loans and advances	27	-	1,086	-	(17,506)
Allowance for expected credit losses on:					
- Financial assets measured at amortised cost	27	(1,867)	-	(8,068)	-
- Debt instruments at FVOCI	27	(19)	-	(19)	-
- Commitments and contingencies	27	2,666	-	(1,579)	-
Profit before taxation		36,118	43,384	138,359	119,206
Taxation		(10,058)	(10,276)	(34,654)	(26,609)
Profit for the financial period		26,060	33,108	103,705	92,597
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		(434)	828	(1,805)	520
Other comprehensive income, net of tax		(434)	828	(1,805)	520
Total comprehensive income for the period, net of tax		25,626	33,936	101,900	93,117

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 2017

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	←		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
Group								
Balance as at 31 December 2017	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	-	-	-	-	-	99,348	99,348	
Other comprehensive income, net of tax	-	-	-	(1,805)	-	-	(1,805)	
Total comprehensive income for the financial period, net of tax	-	-	-	(1,805)	-	99,348	97,543	
At 30 September 2018	760,518	-	-	(58)	30,067	683,416	1,473,943	
Balance as at 1 January 2017	760,518	279,786	-	-	26,948	227,456	1,294,708	
Profit for the financial period	-	-	-	-	-	90,478	90,478	
Other comprehensive income, net of tax	-	-	520	-	-	-	520	
Total comprehensive income for the financial period	-	-	520	-	-	90,478	90,998	
Transfer to regulatory reserve	-	-	-	-	(5,731)	5,731	-	
At 30 September 2017	760,518	279,786	520	-	21,217	323,665	1,385,706	

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 2017

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	←	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
Bank								
Balance as at 31 December 2017	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	-	-	-	-	-	103,705	103,705	
Other comprehensive income, net of tax	-	-	-	(1,805)	-	-	(1,805)	
Total comprehensive income for the financial period, net of tax	-	-	-	(1,805)	-	103,705	101,900	
At 30 September 2018	760,518	-	-	(58)	30,067	673,262	1,463,789	
Balance as at 1 January 2017	760,518	279,786	-	-	26,948	215,751	1,283,003	
Profit for the financial period	-	-	-	-	-	92,597	92,597	
Other comprehensive income, net of tax	-	-	520	-	-	-	520	
Total comprehensive income for the financial period	-	-	520	-	-	92,597	93,117	
Transfer to regulatory reserve	-	-	-	-	(5,731)	5,731	-	
At 30 September 2017	760,518	279,786	520	-	21,217	314,079	1,376,120	

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 2017

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Group		Bank	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	137,095	119,821	138,359	119,206
<i>Adjustment for:</i>				
Depreciation of property and equipment	5,321	3,145	4,804	2,721
Amortisation of intangible assets	318	148	318	148
Amortisation of premium less accretion of discount	997	518	997	518
Allowance for impairment on loans and advances	-	17,506	-	17,506
Allowance for expected credit losses	9,666	-	9,666	-
Interest income from financial investments held-to-maturity	-	(22,705)	-	(22,705)
Interest income from financial investments available-for-sale	-	(4,125)	-	(4,125)
Interest income from financial assets at FVOCI	(11,083)	-	(11,083)	-
Interest income from debt instruments at amortised cost	(17,921)	-	(17,921)	-
Interest expense on subordinated loan	22,158	3,931	22,158	3,931
Unrealised foreign exchange (gain)/loss	(3,690)	2,908	(3,690)	2,908
Net gain on revaluation of derivatives	(1,265)	(685)	(1,265)	(685)
Property and equipment written off	12	408	11	408
Dividend income	-	-	(14,500)	(11,650)
Operating profit before changes in operating activities	141,608	120,870	127,854	108,181
(INCREASE)/ DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(1,057,578)	(1,226,602)	(1,057,578)	(1,226,602)
Loans and advances	(725,522)	(384,492)	(725,522)	(384,492)
Other assets	9,047	4,032	1,038	3,912
Statutory deposits with Bank Negara Malaysia	13,900	(27,800)	13,900	(27,800)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	543,814	2,028,255	542,327	2,026,068
Deposits and placements of banks and other financial institutions	375,236	(508,644)	375,236	(508,644)
Other liabilities	(41,690)	(59,463)	(42,558)	(60,274)
Subordinated loan	27,745	-	27,745	-
Cash (used in)/ generated from operating activities	(713,440)	(53,844)	(737,558)	(69,651)
Taxes paid	(30,265)	(32,517)	(26,700)	(29,644)
Net cash (used in)/generated from operating activities	(743,705)	(86,361)	(764,258)	(99,295)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

	Group		Bank	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,764)	(9,388)	(2,689)	(8,913)
Proceeds from disposal of property and equipment	-	3	-	-
Purchase of intangible assets	(453)	(113)	(453)	(113)
Purchases of financial investments available-for-sale	-	(407,937)	-	(407,937)
Purchases of financial investments held-to-maturity	-	(3,370,000)	-	(3,370,000)
Purchases of debt instruments at FVOCI	(10,000)	-	(10,000)	-
Purchases of debt instruments at amortised cost	(1,900,000)	-	(1,900,000)	-
Proceeds from maturity of financial investments held-to-maturity	-	2,040,000	-	2,040,000
Proceeds from maturity of debt instruments at amortised cost	2,845,000	-	2,845,000	-
Proceeds from maturity of debt instruments at FVOCI	150,000	-	150,035	-
Interest received on debts instruments at amortised cost	22,296	-	22,296	-
Interest received on financial investments held-to-maturity	-	18,472	-	18,472
Interest received on financial investments available-for-sale	-	4,001	-	4,001
Interest received on debt instruments at FVOCI	13,174	-	13,174	-
Dividend income received from subsidiary	-	-	14,500	11,650
Net cash generated from investing activities	1,117,253	(1,724,962)	1,131,863	(1,712,840)
CASH FLOW FROM FINANCING ACTIVITY				
Proceed from issuance of subordinated loan	-	1,308,665	-	1,308,665
Interest paid on subordinated loan	(19,770)	-	(19,770)	-
Net cash generated from financing activity	(19,770)	1,308,665	(19,770)	1,308,665
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	353,778	(502,658)	347,835	(503,470)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,078,355	3,138,153	3,077,280	3,133,474
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,432,133	2,635,495	3,425,115	2,630,004

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

1 Review of Performance and Commentary of Prospects

For the nine months ended 30 September 2018, the Group recorded profit before taxation of RM137.1 million, an increase of 14.4% compared to the corresponding period of 2017. The profit growth was mainly due to higher net interest income from the growth in loans and advances, money market activities and higher other operating income. Cost of operation has also increased compared to 2017.

The Group's total assets grew 7.8% to RM13.5 billion. The assets growth was mainly due to higher loan and advances and deposits and placements with banks and other financial institutions.

The Malaysia economic growth is expected to expand at a slower rate in the fourth quarter 2018. Based on Malaysian's trade openness, fit-for-tat tariffs are expected to hike the costs of raw materials and intermediate goods. Full year GDP growth is expected to be around 5.1% - 5.2%.

The Bank will continue focusing to promote RMB International Business.

2 Group Accounting Policies

A BASIS OF PREPARATION

The summary statements of financial position and summary statements of changes in equity comply with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The summary statements of financial position and summary statements of changes in equity of the Group and the Bank are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000").

The summary statements of financial position and summary statements of changes in equity should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2017.

The Group and the Bank have adopted MFRS 9 *Financial Instruments* with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

The Bank did not early adopt MFRS 9 *Financial Instruments* in previous period. As permitted by the transitional provisions of MFRS 9 *Financial Instruments*, the Group and the Bank have not restated comparative information for 2017 for financial instruments under the scope of MFRS 9 *Financial Instruments*. Any adjustments to the carrying amount of financial assets and liabilities at the date of transitional were recognised in the retained profits and other reserves as of 1 January 2018.

The adoption of MFRS 9 *Financial Instruments* has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of assets.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

2 Group Accounting Policies (Continued)

B CHANGES IN ACCOUNTING POLICIES

(a) Financial Assets - Classification and Measurements

New Classification Under MFRS 9

The adoption of MFRS 9 has changed the classification of financial assets under MFRS 139 *Financial Instruments: Recognition and Measurement* which comprise the financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS"), held-to-maturity ("HTM") and amortised cost, which have been replaced by the new classification as follows:

- Debts instruments at amortised cost;
- Debts instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss upon derecognition;
- Financial assets FVTPL.

New Measurement Under MFRS 9

- 1) FVOCI applies to debt instruments with contractual cash flows characteristic that are solely payments of principal and interest and business model whose objective is to both collect contractual cash flows and selling of financial assets.
- 2) Amortised cost applies to debt instruments with contractual cash flows characteristics that are sole payment of principal and interest and business model whose objective is to hold to collect contractual cash flows.
- 3) The table below summarises the measurement basis of the Group's and the Bank's financial assets and liabilities in accordance with MFRS139 and MFRS9 as at 1 January 2018:

	Measurement Category	
	Group and Bank	
	MFRS 139	MFRS 9
<u>Financial assets</u>		
Cash and short-term funds	Amortised cost	Amortised cost
Deposits and placements with banks and financial institutions	Amortised cost	Amortised cost
Derivative financial assets	FVTPL	FVTPL
Financial investments available-for-sale (Debt instruments)	FVOCI	FVOCI (with recycling)
Financial investments available-for-sale (Equity instrument)	Cost	FVOCI (no recycling)
Financial investments held-to-maturity	Amortised cost	Amortised cost
Financial assets at FVTPL	FVTPL	FVTPL
Loans and advances	Amortised cost	Amortised cost
Other assets	Amortised cost	Amortised cost
Statutory deposits with Bank Negara Malaysia	Amortised cost	Amortised cost
<u>Financial liabilities</u>		
Deposits from customers	Amortised cost	Amortised cost
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost
Derivative financial liabilities	FVTPL	FVTPL
Other liabilities	Amortised cost	Amortised cost
Subordinated loan	Amortised cost	Amortised cost

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

2 Group Accounting Policies (Continued)

B CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Financial Assets - Classification and Measurements (Continued)

Changes in Classification and Measurement of Financial Instruments in the Group and the Bank upon adoption of MFRS 9

- 1) The adoption of MFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing MFRS 139's incurred loss approach with a forward-looking expected credit losses ("ECL") approach. MFRS 9 requires the Bank to record an allowance for ECL for all loans and other debt financial assets not held at fair value through profit or loss ("FVTPL"), together with loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired ("POCI"), the allowance is based on the change in the ECL over the life of the asset.
- 2) Cash and short term funds, securities purchased under resale agreement, deposit and placement with financial institutions, loans and advances and statutory deposits with Bank Negara Malaysia that have previously been measured as loans and receivables are now measured as amortised cost. The Group and the Bank intend to hold these assets to maturity to collect contractual cash flow.
- 3) Debt instruments that were previously classified as available-for-sale and carried at fair value were assessed to have a business model of both collecting contractual cash flows and selling financial assets, and accordingly, are classified as FVOCI under MFRS 9.
- 4) The Group and the Bank have elected to apply FVOCI option for its equity instrument (mainly unquoted shares) that was previously classified as AFS at cost. The asset will remain accounted for at FVOCI with no subsequent recycling of realised gains or losses to profit or loss.

(b) Financial Assets - Impairment

The Bank applies a 3 stages approach to measuring ECL on debts instruments accounted at amortised cost and FVOCI. The 3 stages ECL as described as below:

- Stage 1: When debts instruments are first recognised, the Bank recognises an allowance based on twelve-month ECL. Stage 1 includes facilities where credit risk has been improved and has been reclassified from stage 2.
- Stage 2: When debts instruments have shown a significant increase in credit risk since origination, the Bank records an allowance for lifetime expected credit loss ("LTECL"). Stage 2 also include facilities, where credit risk has been improved and has been reclassified from stage 3.
- Stage 3: Debts instruments considered credit-impaired when the LTECL of the debt instruments are 100% defaulted.

The Group and Bank apply simplified approach for impairment for other assets.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

2 Group Accounting Policies (Continued)

Reconciliation of summary of financial position balances from MFRS 139 to MFRS 9

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018, as follows:

Summary statement of financial position as at 1 January 2018

GROUP	31 December 2017 RM'000	Restatement upon adoption of MFRS 9			1 January 2018 RM'000
		Classification & measurement RM'000	Expected credit losses RM'000	Tax effects RM'000	
ASSETS					
Cash and short-term funds	3,078,382	-	(27)	-	3,078,355
Deposits and placements with banks and other financial institutions	1,642,620	-	(121)	-	1,642,499
Derivative financial assets	275	-	-	-	275
Debt instruments at FVOCI	-	406,776	-	-	406,776
Equity instrument at FVOCI	-	3,220	-	-	3,220
Debt instruments at amortised cost	-	1,321,890	-	-	1,321,890
Financial investments available-for-sale	409,228	(409,228)	-	-	-
Financial investments held-to-maturity	1,321,890	(1,321,890)	-	-	-
Loans and advances	5,881,389	-	(45,194)	-	5,836,195
Other assets	13,875	-	(3)	-	13,872
Deferred tax assets	5,997	-	-	11,698	17,695
Statutory deposits with Bank Negara Malaysia	112,300	-	-	-	112,300
Investment in a subsidiary	-	-	-	-	-
Property and equipment	62,678	-	-	-	62,678
Intangible assets	722	-	-	-	722
TOTAL ASSETS	12,529,356	768	(45,345)	11,698	12,496,477
LIABILITIES AND EQUITY					
Deposits from customers	8,223,878	-	-	-	8,223,878
Deposits and placements of banks and other financial institutions	1,465,999	-	-	-	1,465,999
Derivative financial liabilities	126	-	-	-	126
Other liabilities	166,286	-	4,162	-	170,448
Provision for taxation	1,000	-	-	-	1,000
Subordinated loan	1,258,626	-	-	-	1,258,626
TOTAL LIABILITIES	11,115,915	-	4,162	-	11,120,077
Share capital	760,518	-	-	-	760,518
Reserves	652,923	768	(49,507)	11,698	615,882
TOTAL EQUITY	1,413,441	768	(49,507)	11,698	1,376,400
EQUITY	12,529,356	768	(45,345)	11,698	12,496,477

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

2 Group Accounting Policies (Continued)

Reconciliation of summary of financial position balances from MFRS 139 to MFRS 9 (Continued)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2018, as follows (continued):

Summary statement of financial position as at 1 January 2018 (continued)

BANK	31 December 2017 RM'000	Restatement upon adoption of MFRS 9			1 January 2018 RM'000
		Classification & measurement RM'000	Expected credit losses RM'000	Tax effects RM'000	
ASSETS					
Cash and short-term funds	3,077,307	-	(27)	-	3,077,280
Deposits and placements with banks and other financial institutions	1,642,620	-	(121)	-	1,642,499
Derivative financial assets	275	-	-	-	275
Debt instruments at FVOCI	-	406,776	-	-	406,776
Equity instrument at FVOCI	-	3,220	-	-	3,220
Debt instruments at amortised cost	-	1,321,890	-	-	1,321,890
Financial investments available-for-sale	409,228	(409,228)	-	-	-
Financial investments held-to-maturity	1,321,890	(1,321,890)	-	-	-
Loans and advances	5,881,389	-	(45,194)	-	5,836,195
Other assets	4,942	-	-	-	4,942
Deferred tax assets	5,807	-	-	11,697	17,504
Statutory deposits with Bank Negara Malaysia	112,300	-	-	-	112,300
Investment in a subsidiary	1,000	-	-	-	1,000
Property and equipment	61,040	-	-	-	61,040
Intangible assets	722	-	-	-	722
TOTAL ASSETS	12,518,520	768	(45,342)	11,697	12,485,643
LIABILITIES AND EQUITY					
Deposits from customers	8,230,906	-	-	-	8,230,906
Deposits and placements of banks and other financial institutions	1,465,999	-	-	-	1,465,999
Derivative financial liabilities	126	-	-	-	126
Other liabilities	163,435	-	4,162	-	167,597
Provision for taxation	500	-	-	-	500
Subordinated loan	1,258,626	-	-	-	1,258,626
TOTAL LIABILITIES	11,119,592	-	4,162	-	11,123,754
Share capital	760,518	-	-	-	760,518
Reserves	638,410	768	(49,504)	11,697	601,371
TOTAL EQUITY	1,398,928	768	(49,504)	11,697	1,361,889
TOTAL LIABILITIES AND EQUITY	12,518,520	768	(45,342)	11,697	12,485,643

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

2 Group Accounting Policies (Continued)

Changes in accounting policies (continued)

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2018:

- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 15: Revenue from Contracts with Customers
- IC Int 22: Foreign Currency Transactions and Advance Consideration

Standards issued but not yet effective

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2018:

- IC Int 23: Uncertainty over Income Tax Treatments
- MFRS 16: Leases

IC Int 23: Uncertainty over Income Tax Treatments

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

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.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank plan to assess the potential effect of MFRS 16 on its financial statements in year 2017.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

3 Audit Report

The audit report for the financial year ended 31 December 2017 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 nine months ended 30 September 2018.

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 nine months ended 30 September 2018.

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 nine months ended 30 September 2018.

9 Cash and short-term funds

	<u>Group</u>		<u>Bank</u>	
	<u>30 September 2018</u>	<u>31 December 2017</u>	<u>30 September 2018</u>	<u>31 December 2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and balances with banks and other financial institutions	192,119	195,620	185,101	194,545
Money at call and deposit placements maturing within one month	3,240,033	2,882,762	3,240,033	2,882,762
	<u>3,432,152</u>	<u>3,078,382</u>	<u>3,425,134</u>	<u>3,077,307</u>
Less: allowance for ECL	(19)	-	(19)	-
	<u>3,432,133</u>	<u>3,078,382</u>	<u>3,425,115</u>	<u>3,077,307</u>

Movements in loss allowance for ECL on Cash and short-term funds

	<u>Group/Bank</u>	
	<u>30 September 2018</u>	<u>31 December 2017</u>
	<u>RM'000</u>	<u>RM'000</u>
As at 31 December 2017	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	27	-
1 January 2018, as restated	<u>27</u>	-
Charged to income statement: Decrease in ECL	(8)	-
At end of the financial period	<u>19</u>	-

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Bank Negara Malaysia	200,456	-
Licensed banks	2,499,647	1,642,620
	2,700,103	1,642,620
Less: allowance for ECL	(26)	-
	2,700,077	1,642,620

**Movements in loss allowance for ECL on Deposits and placements with banks and
other financial institutions**

	Group/Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
As at 31 December 2017	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i> 1 January 2018, as restated	121	-
Charged to income statement: Decrease in ECL	(95)	-
At end of the financial period	26	-

11 Derivative Financial Assets/(Liabilities)

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Derivative financial assets	1,525	275
Derivative financial liabilities	(111)	(126)
	1,414	149

12 Debt instruments at fair value through other comprehensive income

	Group and Bank	
	30 September 2018	31 December 2017
	RM'000	RM'000
Money market instrument: Malaysian Government Securities	252,083	-
Unquoted securities Corporate bond	10,035	-
Less: allowance for ECL	(19)	-
	10,016	-
	262,099	-

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

12 Debt instruments at fair value through other comprehensive income (continued)

Movements in loss allowance for ECL on Corporate Bond

	Group/Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
As at 31 December 2017	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-
1 January 2018, as restated	-	-
Charged to income statement: Increase in ECL	19	-
At end of the financial period	19	-

13 Equity instrument at fair value through other comprehensive income

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Unquoted shares in Malaysia	3,220	-
	3,220	-

14 Debt instruments at amortised cost

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Money market instrument:		
Negotiable instruments of deposits	372,524	-
	372,524	-

15 Financial investments available-for-sale

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
At fair value		
Money market instrument:		
Malaysian Government Securities	-	406,776
At cost		
Unquoted shares in Malaysia	-	2,452
	-	409,228

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

16 Financial investments held-to-maturity

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	-	85,984
Negotiable instruments of deposits	-	1,235,906
	<u>-</u>	<u>1,321,890</u>

17 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Overdrafts	537,828	675,435
Terms loans		
- Housing loans	348,026	313,029
- Syndicated term loans	2,529,006	1,462,576
- Other term loans	1,381,195	1,456,743
Bills receivables	223,677	307,169
Trust receipts	9,779	33,779
Claims on customers under acceptance credits	563,973	556,804
Revolving credits	1,066,517	1,157,039
Staff loans	2,048	2,115
Gross loans and advances	<u>6,662,049</u>	<u>5,964,689</u>
Less: Loss allowance for ECL/impairment on loans and advances		
- Allowance for ECL	(109,998)	-
- Individual impairment allowance	-	(42,298)
- Collective impairment allowance	-	(41,002)
Total net loans and advances	<u>6,552,051</u>	<u>5,881,389</u>

(ii) By geographical distribution

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Malaysia	4,792,955	4,551,199
Other countries	1,869,094	1,413,490
Gross loans and advances	<u>6,662,049</u>	<u>5,964,689</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

17 Loans and advances (continued)

At amortised cost (continued)

(iii) By interest rate sensitivity

	Group and Bank	
	30 September	31 December
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	1,252,704	1,301,585
Variable rate		
- Base Rate/Base Lending Rate	1,869,243	2,157,403
- Cost of funds plus	3,201,997	2,505,702
- Other variable rates	338,106	-
Gross loans and advances	<u>6,662,049</u>	<u>5,964,689</u>

(iv) By economic sector

	Group and Bank	
	30 September	31 December
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Primary agriculture	558,436	488,950
Mining and quarrying	469,783	56,025
Manufacturing	1,152,985	1,190,232
Electricity, gas and water supply	145,416	262,471
Construction	282,218	368,711
Real estate	1,572,113	1,261,115
Wholesale and retail trade and restaurants and hotels	263,791	319,462
Transport, storage and communication	122,374	197,958
Finance, insurance and business services	997,088	843,737
Education, health and others	273,734	86,750
Household	824,111	889,278
	<u>6,662,049</u>	<u>5,964,689</u>

(v) By residual contractual maturity

	Group and Bank	
	30 September	31 December
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Up to one month	1,432,226	1,368,043
More than one month to three months	805,624	1,081,217
More than three months to six months	589,843	348,739
More than six months to twelve months	205,678	42,320
More than twelve months	3,628,678	3,124,370
Gross loans and advances	<u>6,662,049</u>	<u>5,964,689</u>

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 NINE MONTHS ENDED 30 SEPTEMBER 2018

17 Loans and advances (continued)

(vi) Changes in gross loans and advances carrying amount

Group and Bank
30 September 2018

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not 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 <i>Financial Instruments</i>	4,971,176	895,748	97,765	5,964,689
As at 1 January 2018, restated	4,971,176	895,748	97,765	5,964,689
Transfer to lifetime ECL not credit impaired	(377,243)	377,243	-	-
Transferred to 12-month ECL	95,320	(95,320)	-	-
Transferred to lifetime ECL credit impaired	(3,638)	(5,127)	8,765	-
Loans derecognised during the period (other than write-offs)	(1,449,051)	(279,874)	(434)	(1,729,359)
New loans/financing originated or purchased	2,304,659	145,831	2,896	2,453,386
Bad debts written off	-	-	(26,667)	(26,667)
Gross carrying amount as at 30 September 2018	5,541,223	1,038,501	82,325	6,662,049

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

17 Loans and advances (continued)

(vii) Impaired loans and advances

Movements in impaired loans and advances

	<u>Group and Bank</u>
	31 December
	<u>2017</u>
	RM'000
At 1 January	111,234
Classified as impaired during the year	62,248
Amount recovered	(72,287)
Reclassified as non-impaired	(3,430)
As at 31 December	<u>97,765</u>
Individual impairment allowance	<u>(42,298)</u>
Net impaired loans and advances	<u><u>55,467</u></u>
Ratio of net impaired loans and advances to gross loans and advances less individual allowance for impairment	0.937%

(ix) Lifetime ECL Credit Impaired/Impaired loans and advances

(a) By geographical

	<u>Group and Bank</u>	
	<u>30 September</u>	31 December
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Malaysia	<u>82,325</u>	<u>97,765</u>

(b) By economic sector

	<u>Group and Bank</u>	
	<u>30 September</u>	31 December
	<u>2018</u>	<u>2017</u>
	RM'000	RM'000
Manufacturing	41,568	63,554
Construction	3,316	-
Wholesale and retail trade and restaurants and hotels	22,675	21,684
Transport, storage and communication	-	312
Finance, insurance and business services	2,236	305
Household	12,530	7,649
Real estate	-	4,261
	<u>82,325</u>	<u>97,765</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

17 Loans and advances (continued)

(x) Movements in loss allowance for ECL on Loans and Advances measured at amortised cost

Loans & advances - changes in ECL

Group and Bank
30 September 2018

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Collective impairment allowance RM'000	Individual impairment allowance RM'000	Total RM'000
As at 31 December 2017	-	-	-	41,002	42,298	83,300
Effect of adopting MFRS 9 <i>Financial Instruments</i>	29,456	45,216	53,822	(41,002)	(42,298)	45,194
1 January 2018, as restated	29,456	45,216	53,822	-	-	128,494
Transfer to lifetime ECL not credit impaired	(4,548)	4,548	-	-	-	-
Transferred to 12 months ECL	3,685	(3,685)	-	-	-	-
Transferred to lifetime ECL credit impaired	(12)	(237)	249	-	-	-
Loans derecognised during the period (other than write-offs)	(10,835)	(4,353)	-	-	-	(15,188)
New loans ECL	5,547	1,968	-	-	-	7,515
Changes due to change in credit risk	(3,218)	14,440	4,622	-	-	15,844
Amounts written off	-	-	(26,667)	-	-	(26,667)
Gross carrying amount as at 30 September 2018	20,075	57,897	32,026	-	-	109,998

* The opening balance for the collective impairment allowance measured under MFRS 139 is now presented as 12-months and lifetime expected credit losses following the adoption of MFRS 9, with no restatement to prior period comparatives.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

17 Loans and advances (continued)

(x) Movements in allowance for impairment for loans and advances

	<u>Group and Bank</u>
	31 December
	<u>2017</u>
	RM'000
<u>Individual impairment allowance</u>	
At 1 January	17,748
Allowance made during the financial year	37,379
Amount written back during the financial year	(12,829)
As at 31 December	<u>42,298</u>
 <u>Collective impairment allowance</u>	
At 1 January	35,679
Allowance made during the financial year	6,389
Exchange differences	(1,066)
As at 31 December	<u>41,002</u>

18 Other assets

	<u>Group</u>		<u>Bank</u>	
	<u>30 September</u>	31 December	<u>30 September</u>	31 December
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Other receivables	4,567	9,775	4,063	1,263
Sundry deposits	2,915	3,020	2,500	2,604
Prepayment	826	705	821	700
Precious metal inventories, at fair value	191	375	191	375
	<u>8,499</u>	<u>13,875</u>	<u>7,575</u>	<u>4,942</u>

19 Deposits from customers

(i) By type of deposits

	<u>Group</u>		<u>Bank</u>	
	<u>30 September</u>	31 December	<u>30 September</u>	31 December
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Demand deposits	4,113,769	3,748,059	4,119,310	3,755,087
Savings deposits	222,837	198,438	222,837	198,438
Fixed deposits	4,230,795	4,075,045	4,230,795	4,075,045
Negotiable instruments of deposits	200,291	202,336	200,291	202,336
	<u>8,767,692</u>	<u>8,223,878</u>	<u>8,773,233</u>	<u>8,230,906</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

19 Deposits from customers (continued)

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

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Due within six months	3,045,647	3,470,608
Six months to one year	1,364,992	803,484
One year to three years	20,447	3,289
	4,431,086	4,277,381

(iii) By type of customers

	Group		Bank	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	-	4,113	-	4,113
Business enterprises	4,840,316	4,645,161	4,845,857	4,652,189
Individuals	2,820,873	2,437,060	2,820,873	2,437,060
Others	1,106,503	1,137,544	1,106,503	1,137,544
	8,767,692	8,223,878	8,773,233	8,230,906

20 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September	31 December
	2018	2017
	RM'000	RM'000
Bank Negara Malaysia	44,083	45,227
Licensed banks	1,796,876	1,419,335
Licensed investment banks	98	282
Licensed Islamic banks	175	1,152
Other financial institutions	3	3
	1,841,235	1,465,999

21 Other liabilities

	Group		Bank	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	25,718	32,978	24,751	31,866
Margin deposits	39,052	67,599	39,052	67,599
Other liabilities	58,247	65,709	55,495	63,970
Allowance for ECL on commitments and contingencies	5,741	-	5,741	-
	128,758	166,286	125,039	163,435

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

21 Other liabilities (continued)

Movements in allowance for ECL on commitment and contingencies

	Group and Bank			Total
	30 September 2018			
	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	RM'000
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9				
<i>Financial Instruments</i>	3,720	441	1	4,162
1 January 2018, as restated	3,720	441	1	4,162
Transfer to lifetime ECL not credit impaired	(338)	338	-	-
Transferred to 12 months ECL	40	(40)	-	-
Loans derecognised during the period (other than write-offs)	(2,050)	(145)	-	(2,195)
New loans/financing originated or purchased	3,673	84	-	3,757
Changes due to change in credit risk	(30)	45	2	17
Gross carrying amount as at 30 September 2018	5,015	723	3	5,741

22 Subordinated loan

	GROUP AND BANK	
	30 September 2018 RM'000	31 December 2017 RM'000
At cost	1,254,725	1,254,725
Interest accrued	6,289	3,901
Foreign exchange difference	27,745	-
	1,288,759	1,258,626

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.

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2018**

23 Interest income

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-credit impaired loans	77,469	67,008	222,097	196,174
- Interest income on credit impaired loans	68	17	2,066	1,433
Money at call and deposit placement with financial institutions	48,140	30,948	138,451	91,240
Debt instruments at FVOCI	3,751	-	11,083	-
Debt instruments at amortised cost	3,908	-	17,921	-
Financial investments held-to-maturity	-	14,405	-	22,705
Financial investments available-for-sale	-	3,702	-	4,125
	133,336	116,080	391,618	315,677
Amortisation of premium less accretion of discount	(316)	(363)	(997)	(518)
Total interest income	133,020	115,717	390,621	315,159

24 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	7,192	3,068	17,356	12,404
Deposits from customers	66,191	57,357	176,435	148,075
Subordinated loan	8,524	3,931	22,158	3,931
Others	131	178	436	705
	82,038	64,534	216,385	165,115

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

25 Other operating income

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Group				
Fees income:				
- Fee on loans and advances	5,342	5,589	18,144	14,435
- Service charges and fees	11,659	10,078	35,160	28,754
- Guarantee fees	4,556	3,996	13,028	13,097
	<u>21,557</u>	<u>19,663</u>	<u>66,332</u>	<u>56,286</u>
Fees expense:				
- Commission related expenses	(4,232)	(3,507)	(13,195)	(9,424)
Net fee income	<u>17,325</u>	<u>16,156</u>	<u>53,137</u>	<u>46,862</u>
Foreign exchange income/(loss):				
- Realised	7,903	6,597	26,524	22,521
- Unrealised	(1,247)	(845)	(3,690)	(2,908)
Net gain on revaluation of derivatives	1,638	1,233	1,265	685
Sale of precious metal	31	161	332	447
Other income	11	11	33	30
	<u>25,661</u>	<u>23,313</u>	<u>77,601</u>	<u>67,637</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Bank				
Fees income:				
- Fee on loans and advances	5,342	5,589	18,144	14,435
- Service charges and fees	897	131	2,614	2,006
- Guarantee fees	4,556	3,996	13,028	13,097
	<u>10,795</u>	<u>9,716</u>	<u>33,786</u>	<u>29,538</u>
Foreign exchange income/(loss):				
- Realised	7,903	6,597	26,524	22,521
- Unrealised	(1,247)	(845)	(3,690)	(2,908)
Net gain on revaluation of derivatives	1,638	1,233	1,265	685
Sale of precious metal	31	161	332	447
Other income:				
- Dividend income from subsidiary	-	-	14,500	11,650
- Other income	64	63	191	188
	<u>19,184</u>	<u>16,925</u>	<u>72,908</u>	<u>62,121</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

26 Other operating expenses

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries & wages	13,704	9,646	39,382	30,618
Bonuses	7,790	4,574	19,388	13,640
Defined contribution plan ("EPF")	2,450	1,790	7,174	5,345
Staff welfare expenses	810	491	1,889	1,533
Other personnel costs	2,006	2,090	6,268	4,062
	<u>26,760</u>	<u>18,591</u>	<u>74,101</u>	<u>55,198</u>
Marketing expenses				
Entertainment	192	270	599	689
Other marketing	610	546	1,797	877
	<u>802</u>	<u>816</u>	<u>2,396</u>	<u>1,566</u>
Establishment costs				
Rental of premises	2,255	2,243	6,746	6,681
Depreciation of property and equipment	1,937	1,356	5,321	3,145
Amortisation of intangible assets	107	57	318	148
Repairs and maintenance	438	273	929	521
Property and equipment written off	-	3	12	408
Information technology expenses	807	1,219	2,499	1,866
Other establishment costs	497	(16)	1,140	906
	<u>6,041</u>	<u>5,135</u>	<u>16,965</u>	<u>13,675</u>
Administration and general expenses				
Insurance premium	48	4	1,237	1,886
Auditors' remuneration				
- statutory audit fees	61	57	183	179
- regulatory related service	30	55	511	116
Travelling and accommodation	829	746	2,190	1,741
Telecommunication and utilities	344	328	938	878
Printing, stationery and postage	266	552	1,212	957
Legal and professional fees	245	352	399	1,103
Other administration and general expenses	1,368	814	4,668	2,693
	<u>3,191</u>	<u>2,908</u>	<u>11,338</u>	<u>9,553</u>
Other expenses				
Cost of sales of precious metal	28	127	276	362
	<u>28</u>	<u>127</u>	<u>276</u>	<u>362</u>
	<u>36,822</u>	<u>27,577</u>	<u>105,076</u>	<u>80,354</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

26 Other operating expenses

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Bank				
<u>Personnel expenses</u>				
Salaries & wages	13,018	9,063	37,339	28,873
Bonuses	7,532	4,351	18,572	13,053
Defined contribution plan ("EPF")	2,357	1,729	6,899	5,156
Staff welfare expenses	742	424	1,705	1,352
Other personnel costs	1,955	2,038	6,099	3,947
	<u>25,604</u>	<u>17,605</u>	<u>70,614</u>	<u>52,381</u>
<u>Marketing expenses</u>				
Entertainment	189	262	584	677
Other marketing	610	541	1,797	872
	<u>799</u>	<u>803</u>	<u>2,381</u>	<u>1,549</u>
<u>Establishment costs</u>				
Rental of premises	1,884	1,860	5,633	5,609
Depreciation of property and equipment	1,764	1,218	4,804	2,721
Amortisation of intangible assets	107	57	318	148
Repairs and maintenance	436	272	927	515
Property and equipment written off	-	3	11	408
Information technology expenses	806	1,213	2,492	1,857
Other establishment costs	485	(36)	1,102	874
	<u>5,482</u>	<u>4,587</u>	<u>15,287</u>	<u>12,132</u>
<u>Administration and general expenses</u>				
Insurance premium	49	3	1,230	1,879
Auditors' remuneration				
- statutory audit fees	50	46	151	147
- regulatory related service	28	53	503	108
Travelling and accommodation	794	708	2,118	1,676
Telecommunication and utilities	304	304	830	798
Printing, stationery and postage	186	497	936	830
Legal and professional fees	244	326	397	1,074
Other administration and general expenses	1,260	751	4,396	2,517
	<u>2,915</u>	<u>2,688</u>	<u>10,561</u>	<u>9,029</u>
<u>Other expenses</u>				
Cost of sales of precious metal	28	127	276	362
	<u>28</u>	<u>127</u>	<u>276</u>	<u>362</u>
	<u>34,828</u>	<u>25,810</u>	<u>99,119</u>	<u>75,453</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

27 Allowance for expected credit losses

	3rd Quarter Ended			
	Group and Bank			
	30 September 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	(7)	-	-	(7)
Deposits and placements with banks and other financial institutions	21	-	-	21
Loans and advances	<u>(3,743)</u>	<u>8,122</u>	<u>-</u>	<u>4,379</u>
	(3,729)	8,122	-	4,393
Impaired loans and advances				
- Charge	-	-	(2,526)	(2,526)
Financial assets measured at amortised cost	<u>(3,729)</u>	<u>8,122</u>	<u>(2,526)</u>	<u>1,867</u>
Debt instruments at FVOCI	19	-	-	19
Commitments and contingencies	<u>(2,651)</u>	<u>(17)</u>	<u>2</u>	<u>(2,666)</u>
	(6,361)	8,105	(2,524)	(780)

	Nine Months Ended			
	Group and Bank			
	30 September 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	(8)	-	-	(8)
Deposits and placements with banks and other financial institutions	(95)	-	-	(95)
Loans and advances	<u>(8,518)</u>	<u>11,818</u>	<u>-</u>	<u>3,300</u>
	(8,621)	11,818	-	3,197
Impaired loans and advances				
- Charge	-	-	4,871	4,871
Financial assets measured at amortised cost	<u>(8,621)</u>	<u>11,818</u>	<u>4,871</u>	<u>8,068</u>
Debt instruments at FVOCI	19	-	-	19
Commitments and contingencies	<u>1,593</u>	<u>(16)</u>	<u>2</u>	<u>1,579</u>
	(7,009)	11,802	4,873	9,666

Allowance for impairment on loans and advances

	Group and Bank	
	3rd Quarter Ended	Nine Months Ended
	30 September	30 September
	2017	2017
	RM'000	RM'000
Allowances for impaired loans and advances:		
- Individual impairment allowance	53	6,741
- Collective impairment allowance	<u>(1,139)</u>	<u>10,765</u>
	(1,086)	17,506

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

28 Capital adequacy

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

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1") Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	584,068	621,693	569,557	607,180
Regulatory reserve	30,067	30,067	30,067	30,067
Fair value through other comprehensive reserve	(58)	-	(58)	-
Revaluation reserve	-	1,163	-	1,163
	1,374,595	1,413,441	1,360,084	1,398,928
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(16,604)	(5,997)	(16,409)	(5,807)
- 55% of cumulative unrealised gains of FVOCI financial instruments	32	-	32	-
- 55% of cumulative gains of AFS	-	(641)	-	(641)
- Regulatory reserve	(30,067)	(30,067)	(30,067)	(30,067)
	(46,639)	(36,705)	(46,444)	(36,515)
Total CET1 capital / Total Tier 1 capital	1,327,956	1,376,736	1,313,640	1,362,413
<u>Tier-2 capital</u>				
General provision*	95,054	71,047	95,010	71,047
Subordinated loan	1,282,470	1,254,725	1,282,470	1,254,725
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	1,377,524	1,325,772	1,376,480	1,324,772
Total capital base	2,705,480	2,702,508	2,690,120	2,687,185
<u>Capital ratios</u>				
CET 1 capital ratio	16.245%	17.095%	16.183%	17.016%
Tier 1 capital ratio	16.245%	17.095%	16.183%	17.016%
Total capital ratio	33.096%	33.558%	33.141%	33.561%

*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 NINE MONTHS ENDED 30 SEPTEMBER 2018

28 Capital adequacy (continued)

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

	Group		Bank	
	30 September	31 December	30 September	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Credit risk	7,604,350	7,543,439	7,600,828	7,540,958
Market risk	14,188	9,033	14,188	9,033
Operational risk	556,226	500,873	502,237	456,835
Total risk-weighted assets	8,174,764	8,053,345	8,117,253	8,006,826

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.

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29 Commitments and contingencies

	Group and Bank					
	30 September 2018			31 December 2017		
	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	2,740	2,740	2,644	47,144	47,144	47,144
Transaction-related contingent items	2,534,936	1,267,468	670,948	2,420,967	1,210,483	1,029,664
Short-term self-liquidation trade related contingencies	87,713	17,543	15,905	166,406	33,281	20,185
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,499,886	299,977	276,386	1,749,285	349,857	303,756
- Maturity exceeding one year	402,141	201,071	173,868	251,208	125,604	114,359
Foreign exchange related contracts:						
- Less than one year	234,128	3,318	870	89,664	532	170
Unutilised credit card lines	20	4	3	-	-	-
Total	4,761,564	1,792,121	1,140,624	4,724,674	1,766,901	1,515,278

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

30 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 September 2018.

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 third quarter ended 30 September 2018.