

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	Group		Bank	
		30 September	31 December	30 September	31 December
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	9	2,200,579	3,558,550	2,195,264	3,553,075
Deposits and placements with banks and other financial institutions	10	2,015,169	1,700,081	2,015,169	1,700,081
Derivative financial assets	11	450	454	450	454
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	629,969	467,541	629,969	467,541
Equity instruments at FVOCI	13	16,483	14,936	16,483	14,936
Debt instruments at amortised cost	14	500,933	655,390	500,933	655,390
Equity instrument at fair value through profit & loss ("FVTPL")	15	1,110	1,072	1,110	1,072
Loans and advances	16	7,348,595	6,693,130	7,348,595	6,693,130
Other assets	17	39,535	5,093	34,681	4,344
Tax recoverable		32,559	4,000	32,559	4,000
Deferred tax assets		3,700	17,233	3,511	16,959
Statutory deposits with Bank Negara Malaysia		114,700	98,000	114,700	98,000
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		54,825	59,977	54,304	58,956
Intangible assets		1,595	914	1,595	914
TOTAL ASSETS		12,960,202	13,276,371	12,950,323	13,269,852
LIABILITIES AND EQUITY					
Deposits from customers	18	7,726,942	8,356,277	7,736,736	8,369,316
Deposits and placements of banks and other financial institutions	19	2,179,314	1,954,232	2,179,314	1,954,232
Derivative financial liabilities	11	425	227	425	227
Other liabilities	20	181,692	151,352	173,865	147,744
Provision for taxation		225	500	-	-
Subordinated loan	21	1,304,793	1,287,303	1,304,793	1,287,303
TOTAL LIABILITIES		11,393,391	11,749,891	11,395,133	11,758,822
Share capital		760,518	760,518	760,518	760,518
Reserves		806,293	765,962	794,672	750,512
TOTAL EQUITY		1,566,811	1,526,480	1,555,190	1,511,030
TOTAL LIABILITIES AND EQUITY		12,960,202	13,276,371	12,950,323	13,269,852
COMMITMENTS AND CONTINGENCIES	28	5,636,864	4,896,737	5,636,864	4,896,737

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

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	22	130,125	133,020	390,645	390,621
Interest expense	23	(78,789)	(82,038)	(228,098)	(216,385)
Net interest income		51,336	50,982	162,547	174,236
Other operating income	24	32,260	25,661	81,625	77,601
Other operating expenses	25	(34,432)	(36,822)	(103,794)	(105,076)
Operating profit before allowance for expected credit losses		49,164	39,821	140,378	146,761
Allowance for impairment on loans and advances and other financial assets	26	(41,806)	780	(87,934)	(9,666)
Profit before taxation		7,358	40,601	52,444	137,095
Taxation		(3,354)	(10,830)	(15,627)	(37,747)
Profit for the financial period		4,004	29,771	36,817	99,348
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</i>					
- Net fair value changes in debt instrument at FVOCI, net of tax		296	(434)	3,514	(1,805)
Other comprehensive income, net of tax		296	(434)	3,514	(1,805)
Total comprehensive income for the period, net of tax		4,300	29,337	40,331	97,543
Earnings per share					
- Basic/fully diluted (sen)		0.53	3.91		

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

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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
Bank					
Interest income	22	130,125	133,020	390,645	390,621
Interest expense	23	(78,746)	(82,038)	(227,958)	(216,385)
Net interest income		51,379	50,982	162,687	174,236
Other operating income	24	24,896	19,184	75,799	72,908
Other operating expenses	25	(32,530)	(34,828)	(98,070)	(99,119)
Operating profit before allowance for expected credit losses		43,745	35,338	140,416	148,025
Allowance for impairment on loans and advances and other financial assets	26	(41,806)	780	(87,934)	(9,666)
Profit before taxation		1,939	36,118	52,482	138,359
Taxation		(2,097)	(10,058)	(11,836)	(34,654)
Profit for the financial period		(158)	26,060	40,646	103,705
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		296	(434)	3,514	(1,805)
Other comprehensive income, net of tax		296	(434)	3,514	(1,805)
Total comprehensive income for the period, net of tax		138	25,626	44,160	101,900

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

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	← Non-distributable			Fair value through other		→ Distributable		
	Share capital	Statutory reserve	Revaluation reserve	comprehensive reserve	Regulatory reserve	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Balance as at 1 January 2019	760,518	-	-	8,193	16,191	741,578	1,526,480	
Profit for the financial period	-	-	-	-	-	36,817	36,817	
Other comprehensive income, net of tax	-	-	-	3,514	-	-	3,514	
Total comprehensive income for the financial period, net of tax	-	-	-	3,514	-	36,817	40,331	
Transfer from retained profits to regulatory reserve	-	-	-	-	17,416	(17,416)	-	
At 30 September 2019	760,518	-	-	11,707	33,607	760,979	1,566,811	
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	621,693	1,413,441	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,625)	(37,625)	
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	584	-	-	584	
1 January 2018, as restated	760,518	-	-	1,747	30,067	584,068	1,376,400	
Profit for the financial period	-	-	-	-	-	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	

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

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	←	Non-distributable			→	Distributable		
	Share capital	Statutory reserve	Revaluation reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Balance as at 1 January 2019	760,518	-	-	8,193	16,191	726,128	1,511,030	
Profit for the financial period	-	-	-	-	-	40,646	40,646	
Other comprehensive income, net of tax	-	-	-	3,514	-	-	3,514	
Total comprehensive income for the financial period, net of tax	-	-	-	3,514	-	40,646	44,160	
Transfer from retained profits to regulatory reserve	-	-	-	-	17,416	(17,416)	-	
At 30 September 2019	760,518	-	-	11,707	33,607	749,358	1,555,190	
Balance as at 1 January 2018	760,518	-	1,163	-	30,067	607,180	1,398,928	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	(1,163)	1,163	-	(37,623)	(37,623)	
Effect of adopting MFRS 9 <i>Financial Instruments</i> - OCI	-	-	-	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	

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Group		Bank	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	52,444	137,095	52,482	138,359
<i>Adjustment for:</i>				
Depreciation of property and equipment	5,523	5,321	5,021	4,804
Depreciation of right-of-use assets	6,365	-	5,333	-
Amortisation of intangible assets	539	318	539	318
Amortisation of premium less accretion of discount	1,106	997	1,106	997
Allowance for impairment on loans and advances and other financial assets	89,612	9,666	89,612	9,666
Interest income from debt instruments at FVOCI	(15,558)	(11,083)	(15,558)	(11,083)
Interest income from debt instruments at amortised cost	(13,398)	(17,921)	(13,398)	(17,921)
Interest expense on subordinated loan	27,768	22,158	27,768	22,158
Interest expense on lease liabilities	996	-	856	-
Unrealised foreign exchange (gain)/loss	(255)	(3,690)	(255)	(3,690)
Net loss on revaluation of derivatives	202	(1,265)	202	(1,265)
Unrealised gain on equity instrument at FVTPL	6	-	6	-
Property and equipment written off	3	12	3	11
Dividend income received from equity instruments at FVOCI	(45)	-	(45)	-
Dividend income received from subsidiary	-	-	(15,450)	(14,500)
Operating profit before changes in operating activities	155,308	141,608	138,222	127,854
(INCREASE)/ DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(315,112)	(1,057,578)	(315,112)	(1,057,578)
Loans and advances	(743,788)	(725,522)	(743,788)	(725,522)
Other assets	(5,636)	9,047	(5,458)	1,038
Statutory deposits with Bank Negara Malaysia	(16,700)	13,900	(16,700)	13,900
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	(629,335)	543,814	(632,580)	542,327
Deposits and placements of banks and other financial institutions	225,082	375,236	225,082	375,236
Other liabilities	186	(41,690)	(46)	(42,558)
Subordinated loan	43,865	27,745	43,865	27,745
Cash used in operating activities	(1,286,130)	(713,440)	(1,306,515)	(737,558)
Taxes paid	(32,084)	(30,265)	(28,104)	(26,700)
Net cash used in operating activities	(1,318,214)	(743,705)	(1,334,619)	(764,258)

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	Group		Bank	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(374)	(2,764)	(372)	(2,689)
Purchase of intangible assets		(1,220)	(453)	(1,220)	(453)
Purchases of debt instruments at FVOCI		(350,060)	(10,000)	(350,060)	(10,000)
Proceeds from maturity of debt instruments at FVOCI		190,000	150,000	190,000	150,035
Purchases of debt instruments at amortised cost		(2,250,000)	(1,900,000)	(2,250,000)	(1,900,000)
Proceeds from maturity of debt instruments at amortised cost		2,400,000	2,845,000	2,400,000	2,845,000
Interest received on debt instruments at FVOCI		15,072	13,174	15,072	13,174
Interest received on debts instruments at amortised cost		17,855	22,296	17,855	22,296
Dividend income received from equity instruments at FVOCI		45	-	45	-
Dividend income received from subsidiary		-	-	15,450	14,500
Net cash generated from investing activities		<u>21,318</u>	<u>1,117,253</u>	<u>36,770</u>	<u>1,131,863</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities		(6,935)	-	(5,822)	-
Interest paid on subordinated loan		(54,143)	(19,770)	(54,143)	(19,770)
Net cash used in financing activity		<u>(61,078)</u>	<u>(19,770)</u>	<u>(59,965)</u>	<u>(19,770)</u>
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD					
		(1,357,974)	353,778	(1,357,814)	347,835
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD					
		<u>3,558,553</u>	<u>3,078,355</u>	<u>3,553,078</u>	<u>3,077,280</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD					
	9	<u>2,200,579</u>	<u>3,432,133</u>	<u>2,195,264</u>	<u>3,425,115</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

1 Review of Performance and Commentary of Prospects

For the nine months ended 30 September 2019, the Group recorded profit after taxation of RM36.8 million, after allowances for impairment on loans and advances and other financial assets of RM87.9 million.

The Group's total assets declined marginally by 2.4%, while gross loans and advances growth of 11%.

The Bank will continue to capture opportunities on trade relationship between China and Malaysia along with the Belt and Road Initiative to attract investment from China and focusing on potential Malaysian Chinese business enterprises. The Bank aggressively promote RMB International Business. At the same time placing emphasis on strengthen its risk management, and internal control structure and framework.

2 Group Accounting Policies

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

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

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

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

2 Group Accounting Policies (Continued)

MFRS 16 Leases

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

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

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

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

Standards issued but not yet effective

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

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

3 Audit Report

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

4 Seasonal or Cyclical Factors

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

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the nine months ended 30 September 2019.

6 Changes in Estimates

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

7 Changes in Debt and Equity Securities

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

8 Dividend Paid

No dividend was paid during the nine months ended 30 September 2019.

9 Cash and Short-term Funds

	<u>Group</u>		<u>Bank</u>	
	<u>30 September 2019</u>	<u>31 December 2018</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	241,427	170,031	236,112	164,556
Money at call and deposit placements maturing within one month	1,959,174	3,388,543	1,959,174	3,388,543
	<u>2,200,601</u>	<u>3,558,574</u>	<u>2,195,286</u>	<u>3,553,099</u>
Less: allowance for ECL	(22)	(24)	(22)	(24)
	<u>2,200,579</u>	<u>3,558,550</u>	<u>2,195,264</u>	<u>3,553,075</u>

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

	<u>Group and Bank</u>	
	<u>30 September 2019</u>	<u>31 December 2018</u>
	RM'000	RM'000
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	27
1 January 2018, as restated	-	27
Beginning 1 January 2019	24	-
ECL allowance written-back during the period (Note 26)	(2)	(3)
Allowance for ECL as at 30 September 2019	<u>22</u>	<u>24</u>

10 Deposits and Placements with Banks and Other Financial Institutions

	<u>Group and Bank</u>	
	<u>30 September 2019</u>	<u>31 December 2018</u>
	RM'000	RM'000
Licensed banks	2,015,205	1,700,093
	<u>2,015,205</u>	<u>1,700,093</u>
Less: allowance for ECL	(36)	(12)
	<u>2,015,169</u>	<u>1,700,081</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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

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

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
As at 31 December 2017	-	-
Effect of adopting MFRS 9	-	121
1 January 2018, as restated	-	121
Beginning 1 January 2019	12	-
ECL allowance charge/(written-back) during the period (Note 26)	24	(109)
Allowance for ECL as at 30 September 2019	36	12

11 Derivative Financial Assets/(Liabilities)

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Derivative financial assets	450	454
Derivative financial liabilities	(425)	(227)
	25	227

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

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Money market instrument:		
Malaysian Government Securities	416,288	457,402
Quoted securities		
Malaysian Government Islamic Sukuk	72,791	-
Unquoted securities		
Corporate bond	141,043	10,158
Less: allowance for ECL	(153)	(19)
	140,890	10,139
	629,969	467,541

Movements in allowance for impairment on corporate bond

	Group and Bank	
	30 September 2019 RM'000	31 December 2018 RM'000
Beginning 1 January 2019	19	-
ECL allowance charge during the period (Note 26)	134	19
Allowance for ECL as at 30 September 2019	153	19

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 2019

13 Equity Instruments at FVOCI

	<u>Group and Bank</u>	
	<u>30 September</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At fair value:		
Unquoted securities		
Shares of corporations in Malaysia	<u>16,483</u>	14,936
	<u><u>16,483</u></u>	<u><u>14,936</u></u>

14 Debt Instruments at Amortised Cost

	<u>Group and Bank</u>	
	<u>30 September</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	<u>500,933</u>	655,390
	<u><u>500,933</u></u>	<u><u>655,390</u></u>

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

	<u>Group and Bank</u>	
	<u>30 September</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At fair value:		
Quoted securities		
Shares of corporations outside Malaysia	<u>1,110</u>	1,072
	<u><u>1,110</u></u>	<u><u>1,072</u></u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

16 Loans and Advances

At amortised cost

(i) By type

	Group and Bank	
	30 September	31 December
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Overdrafts	464,740	502,703
Terms loans		
- Housing loans	351,022	339,769
- Syndicated term loans	3,053,223	2,509,956
- Other term loans	1,451,254	1,457,758
Bills receivables	310,033	293,130
Trust receipts	28,118	17,201
Claims on customers under acceptance credits	689,033	511,745
Revolving credits	1,188,258	1,161,040
Staff loans	1,907	2,013
Gross loans and advances	<u>7,537,588</u>	<u>6,795,315</u>
Less: Loss allowance for ECL		
- Allowance for ECL	<u>(188,993)</u>	<u>(102,185)</u>
Total net loans and advances	<u><u>7,348,595</u></u>	<u><u>6,693,130</u></u>

(ii) By geographical distribution

	Group and Bank	
	30 September	31 December
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Malaysia	5,135,036	4,948,182
Other countries	2,402,552	1,847,133
Gross loans and advances	<u>7,537,588</u>	<u>6,795,315</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

16 Loans and Advances (Continued)

At amortised cost (continued)

(iii) By interest rate sensitivity

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	1,272,559	1,193,769
Variable rate		
- Base rate/base lending rate	1,670,162	1,772,455
- Cost plus	4,150,956	3,465,332
- Other variable rates	443,911	363,759
Gross loans and advances	7,537,588	6,795,315

(iv) By economic sector

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Primary agriculture	524,323	534,893
Mining and quarrying	760,620	604,244
Manufacturing	1,154,578	1,029,828
Electricity, gas and water supply	94,552	132,734
Construction	555,759	405,338
Real estate	1,801,444	1,539,053
Wholesale and retail trade and restaurants and hotels	208,468	220,067
Transport, storage and communication	114,522	116,993
Finance, insurance and business services	1,225,894	1,137,859
Education, health and others	347,508	279,685
Household	749,920	794,621
	7,537,588	6,795,315

(v) By residual contractual maturity

	Group and Bank	
	30 September	31 December
	2019	2018
	RM'000	RM'000
Up to one month	1,542,307	1,462,601
More than one month to three months	1,257,062	1,141,951
More than three months to six months	268,549	362,361
More than six months to twelve months	120,248	133,066
More than twelve months	4,349,422	3,695,336
Gross loans and advances	7,537,588	6,795,315

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

16 Loans and Advances (Continued)

(vi) Changes in gross loans and advances carrying amount

Group and Bank

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	5,691,278	1,035,981	68,056	6,795,315
Transferred to 12-month ECL (stage 1)	119,443	(119,443)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(394,156)	394,674	(518)	-
Transferred to lifetime ECL credit impaired (stage 3)	(26,487)	(64,509)	90,996	-
Changes due to change in credit risk	(1,596,533)	(287,098)	(4,461)	(1,888,092)
New loans originated	2,476,830	155,005	-	2,631,835
Bad debts written-off	-	-	(1,470)	(1,470)
Gross carrying amount as at 30 September 2019	6,270,375	1,114,610	152,603	7,537,588

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

16 Loans and Advances (Continued)

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

Group and Bank

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
Beginning 1 January 2019	18,052	52,089	32,044	102,185
Transferred to 12 months ECL (stage 1)	8,619	(8,619)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(1,825)	1,825	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(41)	(3,481)	3,522	-
New loans ECL	8,259	2,161	-	10,420
(Reversal)/provision during the period	(7,430)	7,945	86,250	86,765
Full settlement	(4,113)	(4,794)	-	(8,907)
Amounts written-off	-	-	(1,470)	(1,470)
Allowance for ECL as at 30 September 2019	21,521	47,126	120,346	188,993
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	29,456	45,216	53,822	128,494
1 January 2018, as restated	29,456	45,216	53,822	128,494
Transferred to 12 months ECL (stage 1)	3,663	(3,663)	-	-
Transferred to lifetime ECL non-credit impaired (stage 2)	(4,176)	4,176	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(23)	(216)	239	-
New loans ECL	5,595	1,886	-	7,481
(Reversal)/provision during the period	(11,188)	7,421	4,650	883
Full settlement	(5,275)	(2,731)	-	(8,006)
Amounts written-off	-	-	(26,667)	(26,667)
Allowance for ECL as at 31 December 2018	18,052	52,089	32,044	102,185

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

16 Loans and Advances (Continued)

(viii) Credit impaired/Impaired gross loans and advances

(a) By geographical distribution

	Group and Bank	
	30 September 2019	31 December 2018
	RM'000	RM'000
Malaysia	128,538	68,056
Other countries	24,065	-
	152,603	68,056

(b) By economic sector

	Group and Bank	
	30 September 2019	31 December 2018
	RM'000	RM'000
Primary agriculture	21,804	-
Manufacturing	77,043	40,887
Electricity, gas and water supply	24,065	-
Construction	874	3,255
Wholesale and retail trade and restaurants and hotels	6,645	6,667
Household	20,431	14,961
Real estate	1,741	2,286
	152,603	68,056

17 Other Assets

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Other receivables	9,804	1,249	9,065	905
Sundry deposits	2,771	2,909	2,362	2,500
Prepayment	297	487	266	482
Right-of-use assets	26,648	-	22,964	-
Precious metal inventories, at fair value	369	576	369	576
	39,889	5,221	35,026	4,463
Less: allowance for ECL	(354)	(128)	(345)	(119)
	39,535	5,093	34,681	4,344

Movements in allowance for impairment on other assets

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9	-	19	-	16
1 January 2018, as restated	-	19	-	16
Beginning 1 January 2019	128	-	119	-
ECL allowance made during the period (Note 26)	266	234	266	228
Amounts written-off	(40)	(125)	(40)	(125)
Allowance for ECL as at 30 September 2019	354	128	345	119

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

18 Deposits From Customers

(i) By type of deposits

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,968,748	3,900,463	2,978,542	3,913,502
Savings deposits	264,120	220,092	264,120	220,092
Fixed deposits	4,193,674	4,033,289	4,193,674	4,033,289
Negotiable instruments of deposits	300,400	202,433	300,400	202,433
	7,726,942	8,356,277	7,736,736	8,369,316

(ii) By type of customers

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Business enterprises	3,338,674	4,485,510	3,348,468	4,498,549
Individuals	3,207,983	2,794,119	3,207,983	2,794,119
Others	1,180,285	1,076,648	1,180,285	1,076,648
	7,726,942	8,356,277	7,736,736	8,369,316

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

	Group and Bank	
	30 September 2019	31 December 2018
	RM'000	RM'000
Due within six months	2,606,640	3,318,315
Six months to one year	1,877,596	914,953
One year to three years	9,838	2,454
	4,494,074	4,235,722

19 Deposits and Placements Of Banks and Other Financial Institutions

	Group and Bank	
	30 September 2019	31 December 2018
	RM'000	RM'000
Bank Negara Malaysia	43,229	44,020
Licensed banks	2,134,974	1,909,810
Licensed investment banks	156	170
Licensed Islamic banks	952	229
Other financial institutions	3	3
	2,179,314	1,954,232

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

20 Other Liabilities

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	23,604	39,292	22,681	38,064
Margin deposits	51,168	45,026	51,168	45,026
Other liabilities	70,716	60,984	67,799	58,604
Lease liabilities	29,242	-	25,255	-
Allowance for ECL on commitments and contingencies (Note 20 (i))	6,962	6,050	6,962	6,050
	181,692	151,352	173,865	147,744

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

	Group and Bank			Total
	30 September 2019			
	12 months ECL (Stage 1)	Lifetime ECL (non-credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
Beginning 1 January 2019	4,446	1,601	3	6,050
Transferred to 12 months ECL	490	(490)	-	-
Transfer to lifetime ECL non-credit impaired (stage 2)	(313)	313	-	-
Transferred to lifetime ECL credit impaired (stage 3)	(2)	(2)	4	-
New loans ECL	2,177	130	-	2,307
(Reversal)/provision during the period	(627)	2,305	(1)	1,677
Full settlement	(2,818)	(254)	-	(3,072)
Allowance for ECL as at 30 September 2019	3,353	3,603	6	6,962

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

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

21 Subordinated Loan

	GROUP AND BANK	
	30 September	31 December
	2019	2018
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	6,203	6,693
Foreign exchange difference	43,865	25,885
	<u>1,304,793</u>	<u>1,287,303</u>

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 2019

22 Interest Income

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-credit impaired loans	79,703	77,469	237,018	222,097
- Interest income on credit impaired loans	2,569	68	3,959	2,066
Money at call and deposit placement with financial institutions	40,819	48,140	121,818	138,451
Debt instruments at FVOCI	5,372	3,751	15,558	11,083
Debt instruments at amortised cost	2,009	3,908	13,398	17,921
	130,472	133,336	391,751	391,618
Amortisation of premium less accretion of discount	(347)	(316)	(1,106)	(997)
Total interest income	130,125	133,020	390,645	390,621

23 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits and placements of banks and other financial institutions	9,042	7,192	19,959	17,356
Deposits from customers	60,514	66,191	178,949	176,435
Subordinated loan	8,757	8,524	27,768	22,158
Lease liabilities	310	-	996	-
Others	166	131	426	436
	78,789	82,038	228,098	216,385

	3rd Quarter Ended		Nine Months Ended	
	Bank		Bank	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits and placements of banks and other financial institutions	9,042	7,192	19,959	17,356
Deposits from customers	60,514	66,191	178,949	176,435
Subordinated loan	8,757	8,524	27,768	22,158
Lease liabilities	267	-	856	-
Others	166	131	426	436
	78,746	82,038	227,958	216,385

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

24 Other Operating Income

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Group				
Fees income:				
- Fee on loans and advances	7,388	5,342	15,086	18,144
- Service charges and fees	12,901	11,659	38,521	35,160
- Guarantee fees	3,492	4,556	11,341	13,028
	<u>23,781</u>	<u>21,557</u>	<u>64,948</u>	<u>66,332</u>
Fees expense:				
- Commission related expenses	(4,717)	(4,232)	(13,819)	(13,195)
Net fee income	<u>19,064</u>	<u>17,325</u>	<u>51,129</u>	<u>53,137</u>
Foreign exchange income/(loss):				
- Realised	10,953	7,903	27,312	26,524
- Unrealised	126	(1,247)	255	(3,690)
Net gain/(loss) on revaluation of derivatives	118	1,638	(202)	1,265
Unrealised gain on equity instrument at FVTPL	(555)	-	(6)	-
Gain on trading derivatives	2,366	-	2,366	-
Sale of precious metal	9	31	523	332
Dividend income:				
- Equity instruments at FVOCI	15	-	60	-
Other income	164	11	188	33
	<u>32,260</u>	<u>25,661</u>	<u>81,625</u>	<u>77,601</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Bank				
Fees income:				
- Fee on loans and advances	7,388	5,342	15,086	18,144
- Service charges and fees	920	897	3,428	2,614
- Guarantee fees	3,492	4,556	11,341	13,028
	<u>11,800</u>	<u>10,795</u>	<u>29,855</u>	<u>33,786</u>
Foreign exchange income/(loss):				
- Realised	10,953	7,903	27,312	26,524
- Unrealised	126	(1,247)	255	(3,690)
Net gain/(loss) on revaluation of derivatives	118	1,638	(202)	1,265
Unrealised gain on equity instrument at FVTPL	(555)	-	(6)	-
Gain on trading derivatives	2,366	-	2,366	-
Sale of precious metal	9	31	523	332
Dividend income:				
- Equity instruments at FVOCI	15	-	60	-
- Subsidiary	-	-	15,450	14,500
Other income	64	64	186	191
	<u>24,896</u>	<u>19,184</u>	<u>75,799</u>	<u>72,908</u>

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

25 Other Operating Expenses

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u> <u>2019</u> RM'000	<u>30 September</u> <u>2018</u> RM'000	<u>30 September</u> <u>2019</u> RM'000	<u>30 September</u> <u>2018</u> RM'000
Group				
<u>Personnel expenses</u>				
Salaries & wages	15,357	13,704	46,242	39,382
Bonuses	4,737	7,790	13,569	19,388
Defined contribution plan ("EPF")	2,599	2,450	7,068	7,174
Staff welfare expenses	555	810	2,296	1,889
Other personnel costs	1,934	2,006	5,545	6,268
	25,182	26,760	74,720	74,101
<u>Marketing expenses</u>				
Entertainment	200	192	810	599
Other marketing	1,148	610	2,561	1,797
	1,348	802	3,371	2,396
<u>Establishment costs</u>				
Rental of premises	-	2,255	23	6,746
Depreciation of property and equipment	3,956	1,937	11,888	5,321
Amortisation of intangible assets	212	107	539	318
Repairs and maintenance	49	438	646	929
Property and equipment written off	2	-	3	12
Information technology expenses	304	807	985	2,499
Other establishment costs	777	497	2,057	1,140
	5,300	6,041	16,141	16,965
<u>Administration and general expenses</u>				
Insurance premium	8	48	1,329	1,237
Auditors' remuneration				
- statutory audit fees	56	61	166	183
- regulatory related service	26	30	78	511
Travelling and accommodation	622	829	1,533	2,190
Telecommunication and utilities	328	344	1,044	938
Printing, stationery and postage	268	266	1,074	1,212
Legal and professional fees	198	245	392	399
Other administration and general expenses	1,089	1,368	3,484	4,668
	2,595	3,191	9,100	11,338
<u>Other expenses</u>				
Cost of sales of precious metal	7	28	462	276
	7	28	462	276
	34,432	36,822	103,794	105,076

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

25 Other Operating Expenses

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u> <u>2019</u> RM'000	<u>30 September</u> <u>2018</u> RM'000	<u>30 September</u> <u>2019</u> RM'000	<u>30 September</u> <u>2018</u> RM'000
Bank				
<u>Personnel expenses</u>				
Salaries & wages	14,599	13,018	44,058	37,339
Bonuses	4,578	7,532	12,999	18,572
Defined contribution plan ("EPF")	2,510	2,357	6,798	6,899
Staff welfare expenses	493	742	2,094	1,705
Other personnel costs	1,875	1,955	5,391	6,099
	24,055	25,604	71,340	70,614
<u>Marketing expenses</u>				
Entertainment	200	189	801	584
Other marketing	1,149	610	2,561	1,797
	1,349	799	3,362	2,381
<u>Establishment costs</u>				
Rental of premises	-	1,884	23	5,633
Depreciation of property and equipment	3,448	1,764	10,354	4,804
Amortisation of intangible assets	212	107	539	318
Repairs and maintenance	42	436	634	927
Property and equipment written off	2	-	3	11
Information technology expenses	302	806	975	2,492
Other establishment costs	773	485	2,011	1,102
	4,779	5,482	14,539	15,287
<u>Administration and general expenses</u>				
Insurance premium	8	49	1,321	1,230
Auditors' remuneration				
- statutory audit fees	44	50	133	151
- regulatory related service	22	28	69	503
Travelling and accommodation	581	794	1,432	2,118
Telecommunication and utilities	292	304	941	830
Printing, stationery and postage	210	186	863	936
Legal and professional fees	198	244	390	397
Other administration and general expenses	985	1,260	3,218	4,396
	2,340	2,915	8,367	10,561
<u>Other expenses</u>				
Cost of sales of precious metal	7	28	462	276
	7	28	462	276
	32,530	34,828	98,070	99,119

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impairment on:				
Cash and short-term funds				
- Stage 1	1	(7)	(2)	(8)
Deposits and placements with banks and other financial institutions				
- Stage 1	18	21	24	(95)
Other assets				
- Stage 1	123	-	266	-
Loans and advances				
- Stage 1	2,672	(3,743)	(3,325)	(8,518)
- Stage 2	3,549	8,122	1,831	11,818
- Stage 3	36,013	(2,526)	89,772	4,871
Debt instruments at FVOCI				
- Stage 1	(34)	19	134	19
Commitments and contingencies				
- Stage 1	323	(2,651)	(1,270)	1,593
- Stage 2	772	(17)	2,179	(16)
- Stage 3	-	2	3	2
Bad debt recover during the period	(1,631)	-	(1,678)	-
	41,806	(780)	87,934	9,666

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance for impairment on:				
Cash and short-term funds				
- Stage 1	1	(7)	(2)	(8)
Deposits and placements with banks and other financial institutions				
- Stage 1	18	21	24	(95)
Other assets				
- Stage 1	123	-	266	-
Loans and advances				
- Stage 1	2,672	(3,743)	(3,325)	(8,518)
- Stage 2	3,549	8,122	1,831	11,818
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- Stage 2	772	(17)	2,179	(16)
- Stage 3	-	2	3	2
Bad debt recover during the period	(1,631)	-	(1,678)	-
	41,806	(780)	87,934	9,666

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

27 Capital Adequacy

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

	Group		Bank	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	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	741,578	741,578	726,128	726,128
Regulatory reserve	33,607	16,191	33,607	16,191
Fair value through other comprehensive reserve	11,707	8,193	11,707	8,193
	1,547,410	1,526,480	1,531,960	1,511,030
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(3,700)	(17,233)	(3,511)	(16,959)
- 55% of cumulative unrealised gains of FVOCI financial instruments	(6,439)	(4,506)	(6,439)	(4,506)
- Regulatory reserve	(33,607)	(16,191)	(33,607)	(16,191)
	(43,746)	(37,930)	(43,557)	(37,656)
Total CET1 capital / Total Tier 1 capital	1,503,664	1,488,550	1,488,403	1,473,374
<u>Tier-2 capital</u>				
General provision*	104,011	92,562	103,930	92,553
Subordinated loan	1,298,590	1,280,610	1,298,590	1,280,610
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	1,402,601	1,373,172	1,401,520	1,372,163
Total capital base	2,906,265	2,861,722	2,889,923	2,845,537
<u>Capital ratios</u>				
CET 1 capital ratio	16.863%	17.722%	16.802%	17.648%
Tier 1 capital ratio	16.863%	17.722%	16.802%	17.648%
Total capital ratio	32.593%	34.070%	32.623%	34.084%

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

27 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
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Credit risk	8,320,877	7,825,343	8,314,433	7,822,480
Market risk	5,300	16,273	5,300	16,273
Operational risk	590,645	557,978	538,923	509,932
Total risk-weighted assets	8,916,822	8,399,594	8,858,656	8,348,685

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

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

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

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

28 Commitments and Contingencies

	Group and Bank					
	30 September 2019			31 December 2018		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
		RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,415	1,415	1,415	2,136	2,136	2,136
Transaction-related contingent items	2,385,272	1,192,630	608,551	2,480,797	1,240,398	656,134
Short-term self-liquidation trade related contingencies	89,677	17,935	13,487	132,751	26,550	26,223
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,913,044	382,608	320,272	1,603,671	320,734	295,055
- Maturity exceeding one year	734,415	367,208	347,743	534,907	267,453	241,417
Foreign exchange related contracts:						
- Less than one year	250,988	1,779	1,349	142,455	1,508	973
Interest/Profit rate related contracts:						
- More than five year	262,033	18,567	14,636	-	-	-
Unutilised credit card lines	20	4	3	20	4	3
Total	5,636,864	1,982,146	1,307,456	4,896,737	1,858,783	1,221,941

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

29 Operations of Islamic Banking

No Islamic banking activities was involved for the third quarter ended 30 September 2019.

30 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.

31 Events Subsequent to Reporting Date

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

32 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 2019.