

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	Group		Bank	
		31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
ASSETS					
Cash and short-term funds	9	1,821,509	1,951,246	1,817,080	1,948,595
Deposits and placements with banks and other financial institutions	10	1,046,099	1,162,832	1,046,099	1,162,832
Derivative assets	11	1,013	2,273	1,013	2,273
Held-to-maturity securities	12	387,091	429,633	387,091	429,633
Loans and advances	13	4,752,963	4,722,114	4,752,963	4,722,114
Other assets	14	14,183	9,095	13,674	8,467
Deferred tax assets		2,866	2,866	2,783	2,783
Statutory deposits with Bank Negara Malaysia		114,400	128,200	114,400	128,200
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		42,630	43,565	40,502	41,266
Intangible assets		149	172	149	172
TOTAL ASSETS		8,182,903	8,451,996	8,176,754	8,447,335
LIABILITIES AND EQUITY					
Deposits from customers	15	5,401,567	6,059,685	5,413,262	6,069,902
Deposits and placements of banks and other financial institutions	16	1,355,330	1,006,020	1,355,330	1,006,020
Derivative liabilities	11	38,499	958	38,499	958
Other liabilities	17	169,952	202,682	167,615	200,551
Provision for taxation		10,635	835	9,811	11
TOTAL LIABILITIES		6,975,983	7,270,180	6,984,517	7,277,442
Share capital		760,518	760,518	760,518	760,518
Reserves		446,402	421,298	431,719	409,375
TOTAL EQUITY		1,206,920	1,181,816	1,192,237	1,169,893
TOTAL LIABILITIES AND EQUITY		8,182,903	8,451,996	8,176,754	8,447,335
COMMITMENTS AND CONTINGENCIES	24	4,234,175	3,326,841	4,234,175	3,326,841

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 2015

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Note	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
		31 March <u>2016</u>	31 March <u>2015</u>	31 March <u>2016</u>	31 March <u>2015</u>
		RM'000	RM'000	RM'000	RM'000
Interest income	18	90,018	98,860	90,018	98,860
Interest expense	19	(49,984)	(57,641)	(49,984)	(57,641)
Net interest income		40,034	41,219	40,034	41,219
Other operating income	20	30,044	10,750	25,083	6,166
Other operating expenses	21	(23,812)	(22,962)	(22,436)	(21,619)
Operating profit		46,266	29,007	42,681	25,766
Allowance made for impairment on loans and advances	22	(4,037)	(4)	(4,037)	(4)
Profit before taxation		42,229	29,003	38,644	25,762
Taxation		(17,125)	(6,131)	(16,300)	(5,306)
Total comprehensive income for the period		25,104	22,872	22,344	20,456

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 2015

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Share capital RM'000	← Non-distributable →		Distributable retained profits RM'000	Total RM'000
		Statutory reserves RM'000	Regulatory reserves RM'000		
Group					
Balance as at 1 January 2016	760,518	223,231	22,671	175,396	1,181,816
Total comprehensive income for the period	-	-	-	25,104	25,104
At 31 March 2016	760,518	223,231	22,671	200,500	1,206,920
Balance as at 1 January 2015	760,518	171,605	-	147,077	1,079,200
Total comprehensive income for the period	-	-	-	22,872	22,872
At 31 March 2015	760,518	171,605	-	169,949	1,102,072
Bank					
Balance as at 1 January 2016	760,518	223,231	22,671	163,473	1,169,893
Total comprehensive income for the period	-	-	-	22,344	22,344
At 31 March 2016	760,518	223,231	22,671	185,817	1,192,237
Balance as at 1 January 2015	760,518	171,605	-	134,518	1,066,641
Total comprehensive income for the period	-	-	-	20,456	20,456
At 31 March 2015	760,518	171,605	-	154,974	1,087,097

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 2015

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INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Group		Bank	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	42,229	29,003	38,644	25,762
<i>Adjustment for:</i>				
Depreciation of property and equipment	1,166	719	995	545
Amortisation of intangible assets	23	23	23	24
(Accretion of discount)/ amortisation of premium, net	(15)	80	(15)	80
Allowance for losses on loans and advances	4,037	4	4,037	4
Interest income from held-to-maturity securities	(3,622)	(4,110)	(3,622)	(4,110)
Unrealised foreign exchange (gain)/loss	267	(337)	267	(337)
Net (gain)/loss on revaluation of derivative	38,801	5,783	38,801	5,783
Property and equipment written off	-	138	-	138
Operating profit before changes in operating activities	82,886	31,303	79,130	27,889
DECREASE/(INCREASE) IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	116,733	14,595	116,733	14,595
Loans and advances	(34,886)	(85,383)	(34,886)	(85,383)
Other assets	(5,355)	8,615	(5,474)	8,530
Statutory deposits with Bank Negara Malaysia	13,800	(39,100)	13,800	(39,100)
(DECREASE)/INCREASE IN OPERATING LIABILITIES				
Deposits from customers	(658,118)	140,348	(656,640)	142,718
Deposits and placements of banks and other financial institutions	349,310	(1,204,572)	349,310	(1,204,572)
Other liabilities	(32,730)	44,994	(32,936)	44,320
Cash used in operating activities	(168,360)	(1,089,200)	(170,963)	(1,091,003)
Taxation paid	(7,325)	(12,430)	(6,500)	(11,605)
Net cash used in operating activities	(175,685)	(1,101,630)	(177,463)	(1,102,608)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2016

	Group		Bank	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(231)	(19,018)	(231)	(19,057)
Purchases of held-to-maturity securities	(110,000)	(144,000)	(110,000)	(144,000)
Proceeds from maturity of held-to-maturity securities	150,000	247,020	150,000	247,020
Interest received on held-to-maturity securities	6,179	6,572	6,179	6,572
Net cash generated from investing activities	45,948	90,574	45,948	90,535
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(129,737)	(1,011,056)	(131,515)	(1,012,073)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,951,246	3,609,580	1,948,595	3,605,813
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,821,509	2,598,524	1,817,080	2,593,740

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

1 Review of Performance and Commentary of Prospects

For the first quarter ended 31 March 2016, the Bank recorded profit before taxation of RM38.6 million, registering an increase of RM12.9 million or 50% compared to the corresponding period of 2015. The higher profit was mainly due to increase in the other operating income by RM18.9 million or 307% to RM25.1 million.

The group's total assets contracted by RM269.1 million as compared to 31 December 2015. The decrease in total assets was mainly due to lower cash and cash equivalents. Loans and advances grew by RM34.4 million to RM4.7 billion. While deposits from customers reduced by RM658.1 million to RM5.4 billion.

The performance of the global economy is expected to remain volatile following increased concerns over economic slowdown in China. In Malaysia, the economy fundamental remain stable, investment spending will continue to support economic growth, especially as some new infrastructure projects are expected to be rolled out under the 11th Malaysia Plan.

The Bank will continue to focus on both Corporate Financing business and Personal Financing business as its core and supporting business, leveraging on the advantages of the Group international network and diversification businesses, which enables to promote "Domestic and International Integration" of its business operation, and at the same time developing long-term relationship with government and private sectors and bodies, focuses on Malaysia leading industries and enterprises as target market segment.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2016 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 2015.

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 2015.

Since the previous annual audited financial statements as at 31 December 2015 were issued, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2016.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

2 Group Accounting Policies (Continued)

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2016:

- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts
- MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- MFRS 7 Financial Instruments: Disclosures
- MFRS 119 Employee Benefits
- MFRS 134 Interim Financial Reporting

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:

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instrument

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but should have no impact on the classification and measurement of the Group's financial liabilities. Impairment allowances of the Group and the Bank will be affected with the adoption of expected loss model under MFRS 9. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Bank in the year of initial application.

3 Audit Report

The audit report for the financial year ended 31 December 2015 was not subject to any qualification.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

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 three months ended 31 March 2016.

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 three months ended 31 March 2016.

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 three months ended 31 March 2016.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

9 Cash and short-term funds

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Cash and balances with banks and other financial institutions	362,309	572,282	357,880	569,631
Money at call and deposit placements maturing within 1 month	1,459,200	1,378,964	1,459,200	1,378,964
	<u>1,821,509</u>	<u>1,951,246</u>	<u>1,817,080</u>	<u>1,948,595</u>

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Licensed banks	1,046,099	1,162,832

11 Derivative Assets/(Liabilities)

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Derivative assets	1,013	2,273
Derivative liabilities	(38,499)	(958)
	<u>(37,486)</u>	<u>1,315</u>

12 Held-to-maturity securities

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	387,091	389,529
Negotiable instruments of deposits	-	40,104
	<u>387,091</u>	<u>429,633</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

13 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	31 March	31 December
	2016	2015
	RM'000	RM'000
Overdrafts	763,398	783,669
Terms loans		
- Housing loans	281,378	269,734
- Syndicated term loans	342,902	404,537
- Other term loans	1,634,744	1,672,155
Bills receivables	82,777	295,094
Trust receipts	32,797	27,871
Claims on customers under acceptance credits	326,796	350,990
Revolving credits	1,330,900	958,172
Credit card receivables	14	45
Staff loans	2,971	2,007
Gross loans and advances	4,798,677	4,764,274
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(7,753)	(7,753)
- Collective assessment allowance	(37,961)	(34,407)
Total net loans and advances	4,752,963	4,722,114

(ii) By geographical distribution

	Group and Bank	
	31 March	31 December
	2016	2015
	RM'000	RM'000
Malaysia	4,663,074	4,366,883
Other countries	135,603	397,391
Gross loans and advances	4,798,677	4,764,274

(iii) By interest rate sensitivity

	Group and Bank	
	31 March	31 December
	2016	2015
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	393,181	626,992
Variable rate		
- Base Rate/Base Lending Rate plus	2,554,530	2,576,121
- Cost plus	1,788,082	1,493,810
- Other variable rates	62,884	67,351
Gross loans and advances	4,798,677	4,764,274

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

13 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Purchase of securities	35,945	50,971
Purchase of transport vehicles	5,789	5,894
Purchase of landed property :	1,255,565	1,209,116
- Residential	296,642	284,130
- Non-residential	958,923	924,986
Purchase of fixed assets other than land and building	5,865	6,381
Personal use	336,267	339,168
Credit card	14	45
Construction	208,210	226,647
Mergers and Acquisition	286,168	-
Working capital	2,635,665	2,898,626
Other purpose	29,189	27,426
Gross loans and advances	4,798,677	4,764,274

(v) By residual contractual maturity

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Up to one month	1,410,978	1,613,308
More than one month to three Months	923,080	419,298
More than three months to six months	263,891	384,050
More than six months to twelve months	40,306	73,018
More than twelve months	2,160,422	2,274,600
Gross loans and advances	4,798,677	4,764,274

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

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
At beginning of financial period/year	43,412	16,965
Classified as impaired during the period/year	599	38,104
Reclassified as performing during the period/year	-	(3,413)
Amount recovered	(28)	(8,244)
At end of financial period/year	43,983	43,412
Individual assessment allowance	(7,753)	(7,753)
Net impaired loans and advances	36,230	35,659
Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	0.756%	0.750%

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

13 Loans and advances (continued)

(vi) Impaired loans and advances (continued)

(b) By geographical

	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Malaysia	43,983	43,412

(c) By purposes

	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Purchase of landed property - residential	3,631	3,614
Purchase of landed property - non-residential	20,118	19,762
Personal use	1,839	1,842
Working capital	18,395	18,194
	43,983	43,412

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

	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
<u>Individual assessment allowance</u>		
At beginning of the financial period/year	7,753	899
Allowance made during the financial period/year	-	7,090
Allowance written back during the financial period/year	-	(236)
At end of the financial period/year	7,753	7,753
<u>Collective assessment allowance</u>		
At beginning of the financial period/year	34,407	26,962
Allowance made during the financial period/year	4,037	5,925
Exchange differences	(483)	1,520
At end of the financial period/year	37,961	34,407

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

14 Other assets

	Group		Bank	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	10,025	5,566	9,910	5,332
Sundry deposits	2,481	2,485	2,087	2,091
Prepayment	1,144	495	1,144	495
Precious metal inventory	533	549	533	549
	14,183	9,095	13,674	8,467

15 Deposits from customers

(i) By type of deposits

	Group		Bank	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Demand deposits	866,575	859,948	878,270	870,165
Savings deposits	127,452	127,337	127,452	127,337
Fixed deposits	4,206,652	4,921,562	4,206,652	4,921,562
Negotiable instruments of deposits	200,888	150,838	200,888	150,838
	5,401,567	6,059,685	5,413,262	6,069,902

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

	Group and Bank	
	31 March 2016	31 December 2015
	RM'000	RM'000
Due within six months	3,694,575	4,398,672
Six months to one year	709,844	667,976
More than one year	3,121	5,752
	4,407,540	5,072,400

(iii) By type of customer

	Group		Bank	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,183	5,130	5,183	5,130
Business enterprises	1,720,096	2,176,056	1,731,791	2,186,273
Individuals	1,780,500	1,820,064	1,780,500	1,820,064
Others	1,895,788	2,058,435	1,895,788	2,058,435
	5,401,567	6,059,685	5,413,262	6,069,902

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

16 Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Bank Negara Malaysia	52,612	54,554
Licensed banks	1,302,442	951,102
Licensed investment banks	198	256
Licensed islamic banks	75	105
Other financial institutions	3	3
	<u>1,355,330</u>	<u>1,006,020</u>

17 Other liabilities

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Accrued expenses	25,096	23,578	24,734	22,882
Margin deposits	121,562	55,978	121,562	55,978
Other liabilities	23,294	123,126	21,319	121,691
	<u>169,952</u>	<u>202,682</u>	<u>167,615</u>	<u>200,551</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

18 Interest income

	1st Quarter Ended Three Months Ended Group and Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
Loans and advances		
- Interest income on non-impaired loans	64,244	60,386
- Interest income on impaired loans	814	369
Money at call and deposit placement with financial institutions	21,323	34,075
Securities		
- Held-to-maturity investments	3,622	4,110
	90,003	98,940
Accretion of discount/ (amortisation of premium), net	15	(80)
Total interest income	90,018	98,860

19 Interest Expense

	1st Quarter Ended Three Months Ended Group and Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
Deposits and placements of banks and other financial institutions	12,323	22,246
Deposits from customers	37,642	35,385
Others	19	10
	49,984	57,641

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

20 Other operating income

	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Fees income:				
- Fee on loans and advances	4,441	2,990	4,441	2,990
- Service charges and fees	8,804	7,750	1,060	642
- Guarantee fees	3,518	2,885	3,518	2,885
	16,763	13,625	9,019	6,517
Fees income:				
- Commission related expenses	(2,729)	(2,494)	-	-
Net fee income	14,034	11,131	9,019	6,517
Foreign exchange income:				
- Realised	54,299	3,095	54,299	3,095
- Unrealised	(267)	337	(267)	337
Gain/(loss) on revaluation of derivatives	(38,801)	(5,783)	(38,801)	(5,783)
Sale of precious metal	717	1,970	717	1,970
Other income	62	-	116	30
	30,044	10,750	25,083	6,166

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21 Other operating expenses

	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Personnel expenses</u>				
Salaries & wages	9,485	7,928	9,016	7,495
Bonuses	4,034	4,297	3,909	4,164
Defined contribution plan ("EPF")	1,497	1,410	1,429	1,346
Staff welfare expenses	555	375	514	317
Other personnel costs	799	492	783	472
	16,370	14,502	15,651	13,794
<u>Marketing expenses</u>				
Entertainment	396	536	392	536
Other marketing	415	315	415	315
	811	851	807	851
<u>Establishment costs</u>				
Rental of premises	1,991	1,685	1,653	1,340
Depreciation	1,166	719	995	545
Amortisation	23	23	23	24
Repairs and maintenance	129	134	127	133
Property and equipment written off	-	138	-	138
Information technology expenses	843	556	842	554
Other establishment costs	95	54	83	51
	4,247	3,309	3,723	2,785
<u>Administration and general expenses</u>				
Insurance premium	23	36	23	31
Auditors' remuneration				
- statutory audit fees	60	55	47	46
- regulatory related service	25	20	21	18
Travelling and accommodation	499	366	486	364
Telecommunication and utilities	231	235	205	216
Printing, stationery and postage	168	148	139	126
Legal and professional fees	200	991	200	990
Other administration and general expenses	583	796	539	745
	1,789	2,647	1,660	2,536
<u>Other expenses</u>				
Cost of precious metal	595	1,653	595	1,653
	595	1,653	595	1,653
	23,812	22,962	22,436	21,619

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22 Allowance made for impairment on loans and advances and other losses

	1st Quarter Ended Three Months Ended Group and Bank	
	31 March 2016 RM'000	31 March 2015 RM'000
Allowance for impaired loans and advances		
<u>Individual impairment allowance</u>		
- Written back during the financial period	-	(237)
	-	(237)
<u>Collective impairment allowance</u>		
- Made during the financial period	15,813	10,777
- Written back during the financial period	(11,776)	(10,536)
	4,037	241
	4,037	4

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

23 Capital adequacy

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

	<u>Group</u>		<u>Bank</u>	
	<u>31 March 2016</u> RM'000	31 December 2015 RM'000	<u>31 March 2016</u> RM'000	31 December 2015 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	175,396	175,396	163,473	163,473
Other reserves	223,231	223,231	223,231	223,231
Regulatory reserves	22,671	22,671	22,671	22,671
	1,181,816	1,181,816	1,169,893	1,169,893
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(2,866)	(2,866)	(2,783)	(2,783)
- Regulatory reserve attributable to loans and advances	(22,671)	(22,671)	(22,671)	(22,671)
	(25,537)	(25,537)	(25,454)	(25,454)
Total CET1 capital / Total Tier 1 capital	1,156,279	1,156,279	1,144,439	1,144,439
<u>Tier-2 capital</u>				
Collective assessment allowance	37,961	34,407	37,961	34,407
Regulatory reserves	22,671	22,671	22,671	22,671
Less: Investment in subsidiary	-	-	(1,000)	(1,000)
Total Tier-2 capital	60,632	57,078	59,632	56,078
Total capital base	1,216,911	1,213,357	1,204,071	1,200,517
<u>Capital ratios</u>				
CET 1 capital ratio	21.405%	21.381%	21.342%	21.310%
Tier 1 capital ratio	21.405%	21.381%	21.342%	21.310%
Total capital ratio	22.527%	22.437%	22.454%	22.354%

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

23 Capital adequacy (continued)

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

	Group		Bank	
	31 March	31 December	31 March	31 December
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
Credit risk	4,986,389	5,025,085	4,982,502	5,021,628
Market risk	14,197	9,179	14,197	9,179
Operational risk	401,446	373,649	365,739	339,583
Total risk-weighted assets	<u>5,402,032</u>	<u>5,407,913</u>	<u>5,362,438</u>	<u>5,370,390</u>

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 6 April 2015, Bank Negara Malaysia issued Policy Document on Classification and Impairment Provisions for Loans/Financing. Pursuant to paragraph 15.2 of the Policy Document, effective 31 December 2015 banking institution is required to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment.

The regulatory reserve is maintained in addition to the collective impairment allowances that have been assessed in accordance with MFRS139. It will be transferred from the retained profits to a separate reserve namely regulatory reserve within the equity.

During the financial period, the Bank has maintained RM22.617 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.27% of total outstanding loans and advances. The regulatory reserve does qualify as Common Equity Tier 1 (CET1) Capital and Tier 1 Capital under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2016

24 Commitments and contingencies

	Group and Bank					
	31 March 2016			31 December 2015		
	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	74,249	74,249	55,647	80,517	80,517	60,507
Transaction-related contingent items	1,807,820	903,910	478,568	1,461,522	730,761	364,822
Short-term self-liquidation trade related contingencies	59,539	11,908	5,618	64,553	12,911	11,244
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,100,284	220,057	180,438	1,028,447	205,689	185,002
- Maturity exceeding one year	174,722	87,361	55,042	272,277	136,139	86,398
Foreign exchange related contracts:						
- Less than one year	1,017,561	10,128	2,610	419,525	2,709	717
Total	4,234,175	1,307,613	777,923	3,326,841	1,168,726	708,690

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25 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 31 March 2016.

26 Valuation of Property, Plant and Equipment

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

27 Events subsequent to Reporting Date

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

28 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 1st quarter ended 31 March 2016.