

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	Note	Group		Bank	
		31 March 2017 RM'000	31 December 2016 RM'000	31 March 2017 RM'000	31 December 2016 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	3,759,148	3,138,153	3,752,029	3,133,474
Deposits and placements with banks and other financial institutions	10	523,063	435,854	523,063	435,854
Derivative assets	11	807	334	807	334
Held-to-maturity securities	12	186,171	288,048	186,171	288,048
Loans and advances	13	5,010,939	5,183,247	5,010,939	5,183,247
Other assets	14	13,781	12,491	12,997	11,682
Deferred tax assets		4,738	4,738	4,553	4,553
Statutory deposits with Bank Negara Malaysia		99,000	98,900	99,000	98,900
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		55,033	52,363	53,517	50,699
Intangible assets		284	300	284	300
<b>TOTAL ASSETS</b>		<b>9,652,964</b>	<b>9,214,428</b>	<b>9,644,360</b>	<b>9,208,091</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	15	6,511,537	6,349,234	6,521,451	6,357,750
Deposits and placements of banks and other financial institutions	16	1,662,055	1,354,460	1,662,055	1,354,460
Derivative liabilities	11	2,355	293	2,355	293
Other liabilities	17	141,584	212,652	138,441	210,130
Provision for taxation		4,841	3,081	4,215	2,455
<b>TOTAL LIABILITIES</b>		<b>8,322,372</b>	<b>7,919,720</b>	<b>8,328,517</b>	<b>7,925,088</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		570,074	534,190	555,325	522,485
<b>TOTAL EQUITY</b>		<b>1,330,592</b>	<b>1,294,708</b>	<b>1,315,843</b>	<b>1,283,003</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,652,964</b>	<b>9,214,428</b>	<b>9,644,360</b>	<b>9,208,091</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>4,714,256</b>	3,518,241	<b>4,714,256</b>	3,518,241

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Note	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
		31 March <u>2017</u>	31 March <u>2016</u>	31 March <u>2017</u>	31 March <u>2016</u>
		RM'000	RM'000	RM'000	RM'000
Interest income	18	<b>94,789</b>	90,018	<b>94,789</b>	90,018
Interest expense	19	<b>(46,140)</b>	(49,984)	<b>(46,140)</b>	(49,984)
Net interest income		<b>48,649</b>	40,034	<b>48,649</b>	40,034
Other operating income	20	<b>25,828</b>	30,044	<b>20,421</b>	25,083
Other operating expenses	21	<b>(25,796)</b>	(23,812)	<b>(24,183)</b>	(22,436)
Operating profit		<b>48,681</b>	46,266	<b>44,887</b>	42,681
Allowance made for impairment on loans and advances	22	<b>(1,287)</b>	(4,037)	<b>(1,287)</b>	(4,037)
Profit before taxation		<b>47,394</b>	42,229	<b>43,600</b>	38,644
Taxation		<b>(11,510)</b>	(17,125)	<b>(10,760)</b>	(16,300)
Total comprehensive income for the period		<b>35,884</b>	25,104	<b>32,840</b>	22,344

*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 2016*

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	Share capital RM'000	← Non-distributable →		Distributable retained profits RM'000	Total RM'000
		Statutory reserves RM'000	Regulatory reserves RM'000		
<b>Group</b>					
Balance as at 1 January 2017	<b>760,518</b>	<b>279,786</b>	<b>26,948</b>	<b>227,456</b>	<b>1,294,708</b>
Total comprehensive income for the period	-	-	-	<b>35,884</b>	<b>35,884</b>
Transfer to regulatory reserve	-	-	<b>(1,573)</b>	<b>1,573</b>	-
<b>At 31 March 2017</b>	<b><u>760,518</u></b>	<b><u>279,786</u></b>	<b><u>25,375</u></b>	<b><u>264,913</u></b>	<b><u>1,330,592</u></b>
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	<u>760,518</u>	<u>223,231</u>	<u>22,671</u>	<u>200,500</u>	<u>1,206,920</u>
<b>Bank</b>					
Balance as at 1 January 2017	<b>760,518</b>	<b>279,786</b>	<b>26,948</b>	<b>215,751</b>	<b>1,283,003</b>
Total comprehensive income for the period	-	-	-	<b>32,840</b>	<b>32,840</b>
Transfer to regulatory reserve	-	-	<b>(1,573)</b>	<b>1,573</b>	-
<b>At 31 March 2017</b>	<b><u>760,518</u></b>	<b><u>279,786</u></b>	<b><u>25,375</u></b>	<b><u>250,164</u></b>	<b><u>1,315,843</u></b>
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	<u>760,518</u>	<u>223,231</u>	<u>22,671</u>	<u>185,817</u>	<u>1,192,237</u>

*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 2016*

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
Note	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>47,394</b>	42,229	<b>43,600</b>	38,644
<i>Adjustment for:</i>				
Depreciation of property and equipment	<b>1,376</b>	1,166	<b>1,228</b>	995
Amortisation of intangible assets (Amortisation of premium)/ accretion of discount, net	<b>43</b> <b>160</b>	23 (15)	<b>43</b> <b>160</b>	23 (15)
Allowance for losses on loans and advances	<b>1,287</b>	4,037	<b>1,287</b>	4,037
Interest income from held-to-maturity securities	<b>(2,417)</b>	(3,622)	<b>(2,417)</b>	(3,622)
Unrealised foreign exchange (gain)/loss	<b>38</b>	267	<b>38</b>	267
Net (gain)/loss on revaluation of derivative	<b>1,589</b>	38,801	<b>1,589</b>	38,801
Property and equipment written off	<b>405</b>	-	<b>405</b>	-
Operating profit before changes in operating activities	<b>49,875</b>	82,886	<b>45,933</b>	79,130
<b>DECREASE/(INCREASE) IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	<b>(87,209)</b>	116,733	<b>(87,209)</b>	116,733
Loans and advances	<b>171,021</b>	(34,886)	<b>171,021</b>	(34,886)
Other assets	<b>(1,328)</b>	(5,355)	<b>(1,353)</b>	(5,474)
Statutory deposits with Bank Negara Malaysia	<b>(100)</b>	13,800	<b>(100)</b>	13,800
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	<b>162,303</b>	(658,118)	<b>163,701</b>	(656,640)
Deposits and placements of banks and other financial institutions	<b>307,595</b>	349,310	<b>307,595</b>	349,310
Other liabilities	<b>(71,068)</b>	(32,730)	<b>(71,689)</b>	(32,936)
Cash generated from/(used in) operating activities	<b>531,089</b>	(168,360)	<b>527,899</b>	(170,963)
Taxation paid	<b>(9,750)</b>	(7,325)	<b>(9,000)</b>	(6,500)
Net cash generated from/(used in) operating activities	<b>521,339</b>	(175,685)	<b>518,899</b>	(177,463)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2017</b>	31 March 2016	<b>31 March 2017</b>	31 March 2016
Note	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM INVESTING</b>				
Purchase of property and equipment	<b>(4,478)</b>	(231)	<b>(4,478)</b>	(231)
Purchases of held-to-maturity securities	-	(110,000)	-	(110,000)
Proceeds from maturity of held-to-maturity securities	<b>100,000</b>	150,000	<b>100,000</b>	150,000
Interest received on held-to-maturity securities	<b>4,134</b>	6,179	<b>4,134</b>	6,179
Net cash generated from investing activities	<b>99,656</b>	45,948	<b>99,656</b>	45,948
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>	<b>620,995</b>	(129,737)	<b>618,555</b>	(131,515)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>3,138,153</b>	1,951,246	<b>3,133,474</b>	1,948,595
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>3,759,148</b>	1,821,509	<b>3,752,029</b>	1,817,080

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**1 Review of Performance and Commentary of Prospects**

For the first quarter ended 31 March 2017, the Group recorded profit before taxation of RM47.4 million, an increase of RM5.2 million or 12.2% compared to the corresponding period of 2016. The higher profit was mainly due to increase in net interest income by RM4.6 million or 21.5% to RM48.6 million.

The group's total assets increased by RM438.5 million or 5% as compared to 31 December 2016. The increase in total assets was mainly due to higher cash and cash equivalents.

The Bank will take advantage of the business integration exercise and work in collaboration with Holding Company to grasp possible business opportunities to accelerate overall business expansion. The Bank will aggressively promote the Belt and Road Initiative by becoming the bridge between business enterprises of Malaysia and China. The Bank endeavor to further strengthen its risk management and internal control structure and framework to support business expansion.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2017 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 2016.

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 2016.

Since the previous annual audited financial statements as at 31 December 2016 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 2017.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2017:

- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

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:

- 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
- MFRS 16: Leases

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**2 Group Accounting Policies (Continued)**

Standards issued but not yet effective (continued)

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.

**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.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**3 Audit Report**

The audit report for the financial year ended 31 December 2016 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 three months ended 31 March 2017.

**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 2017.

**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 2017.



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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**9 Cash and short-term funds**

	<u>Group</u>		<u>Bank</u>	
	<b>31 March 2017</b> RM'000	31 December 2016 RM'000	<b>31 March 2017</b> RM'000	31 December 2016 RM'000
Cash and balances with banks and other financial institutions	<b>110,290</b>	285,565	<b>103,171</b>	280,886
Money at call and deposit placements maturing within 1 month	<b>3,648,858</b>	2,852,588	<b>3,648,858</b>	2,852,588
	<b><u>3,759,148</u></b>	<u>3,138,153</u>	<b><u>3,752,029</u></b>	<u>3,133,474</u>

**10 Deposits and placements with banks and other financial institutions**

	<u>Group and Bank</u>	
	<b>31 March 2017</b> RM'000	31 December 2016 RM'000
Bank Negara Malaysia	<b>297,418</b>	320,427
Licensed banks	<b>225,645</b>	115,427
	<b><u>523,063</u></b>	<u>435,854</u>

**11 Derivative Assets/(Liabilities)**

	<u>Group and Bank</u>	
	<b>31 March 2017</b> RM'000	31 December 2016 RM'000
Derivative assets	<b>807</b>	334
Derivative liabilities	<b>(2,355)</b>	(293)
	<b><u>(1,548)</u></b>	<u>41</u>

**12 Held-to-maturity securities**

	<u>Group and Bank</u>	
	<b>31 March 2017</b> RM'000	31 December 2016 RM'000
<b>At amortised cost</b>		
Money market instrument:		
Malaysian Government Securities	<b>186,171</b>	288,048
	<b><u>186,171</u></b>	<u>288,048</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**13 Loans and advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>696,370</b>	742,315
Terms loans		
- Housing loans	<b>286,819</b>	281,719
- Syndicated term loans	<b>693,820</b>	576,970
- Other term loans	<b>1,597,563</b>	1,598,880
Bills receivables	<b>144,155</b>	201,643
Trust receipts	<b>17,340</b>	32,725
Claims on customers under acceptance credits	<b>361,191</b>	368,749
Revolving credits	<b>1,266,420</b>	1,431,418
Staff loans	<b>1,873</b>	2,255
Gross loans and advances	<b>5,065,551</b>	5,236,674
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	<b>(19,434)</b>	(17,748)
- Collective assessment allowance	<b>(35,178)</b>	(35,679)
Total net loans and advances	<b>5,010,939</b>	5,183,247

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>4,583,998</b>	4,867,116
Other countries	<b>481,553</b>	369,558
Gross loans and advances	<b>5,065,551</b>	5,236,674

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loan	<b>446,945</b>	539,374
Variable rate		
- Base Rate/Base Lending Rate plus	<b>2,256,006</b>	2,404,764
- Cost plus	<b>2,285,637</b>	2,226,280
- Other variable rates	<b>76,964</b>	66,256
Gross loans and advances	<b>5,065,551</b>	5,236,674

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**13 Loans and advances (continued)**

**(iv) By purpose**

	<b>Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Purchase of securities	35,877	35,358
Purchase of transport vehicles	4,695	4,979
Purchase of landed property :	<b>1,147,225</b>	1,156,630
- Residential	<b>301,452</b>	296,681
- Non-residential	<b>845,773</b>	859,949
Purchase of fixed assets other than land and building	2,581	2,686
Personal use	<b>300,480</b>	320,080
Construction	<b>310,233</b>	266,611
Mergers and Acquisition	<b>182,504</b>	355,289
Working capital	<b>2,861,797</b>	2,940,869
Other purpose	<b>220,159</b>	154,172
<b>Gross loans and advances</b>	<b>5,065,551</b>	<b>5,236,674</b>

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Up to one month	<b>1,624,248</b>	1,524,009
More than one month to three Months	<b>961,194</b>	917,392
More than three months to six months	<b>161,812</b>	595,396
More than six months to twelve months	<b>63,322</b>	68,122
More than twelve months	<b>2,254,975</b>	2,131,755
<b>Gross loans and advances</b>	<b>5,065,551</b>	<b>5,236,674</b>

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**

	<b>Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
At beginning of financial period/year	<b>111,234</b>	43,412
Classified as impaired during the period/year	<b>12,425</b>	75,016
Amount recovered	<b>(1,487)</b>	(7,194)
At end of financial period/year	<b>122,172</b>	111,234
Individual assessment allowance	<b>(19,434)</b>	(17,748)
<b>Net impaired loans and advances</b>	<b>102,738</b>	<b>93,486</b>

Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment

**2.036%**                      **1.791%**

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**13 Loans and advances (continued)**

**(vi) Impaired loans and advances (continued)**

**(b) By geographical**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>122,172</b>	<b>111,234</b>

**(c) By purposes**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed property - residential	<b>4,452</b>	<b>299</b>
Purchase of landed property - non-residential	<b>20,942</b>	<b>18,730</b>
Construction	<b>74,975</b>	<b>72,287</b>
Personal use	<b>1,867</b>	<b>1,730</b>
Working capital	<b>19,936</b>	<b>18,188</b>
	<b>122,172</b>	<b>111,234</b>

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

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual assessment allowance</u></b>		
At beginning of the financial period/year	<b>17,748</b>	<b>7,753</b>
Allowance made during the financial period/year	<b>1,686</b>	<b>11,774</b>
Allowance written back during the financial period/year	<b>-</b>	<b>(1,779)</b>
At end of the financial period/year	<b>19,434</b>	<b>17,748</b>
<b><u>Collective assessment allowance</u></b>		
At beginning of the financial period/year	<b>35,679</b>	<b>34,407</b>
Allowance made during the financial period/year	<b>10,043</b>	<b>799</b>
Allowance written back during the financial period/year	<b>(10,442)</b>	<b>-</b>
Exchange differences	<b>(102)</b>	<b>473</b>
At end of the financial period/year	<b>35,178</b>	<b>35,679</b>

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**14 Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	9,939	8,810	9,550	8,400
Sundry deposits	3,036	3,028	2,641	2,634
Prepayment	88	334	88	329
Precious metal inventory	718	319	718	319
	<b>13,781</b>	<b>12,491</b>	<b>12,997</b>	<b>11,682</b>

**15 Deposits from customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,539,565	1,410,758	1,549,479	1,419,274
Savings deposits	164,535	150,990	164,535	150,990
Fixed deposits	4,304,174	4,382,797	4,304,174	4,382,797
Negotiable instruments of deposits	503,263	404,689	503,263	404,689
	<b>6,511,537</b>	<b>6,349,234</b>	<b>6,521,451</b>	<b>6,357,750</b>

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

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	3,787,216	4,037,464
Six months to one year	1,015,141	745,096
More than one year	5,080	4,926
	<b>4,807,437</b>	<b>4,787,486</b>

**(iii) By type of customer**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	4,162	4,120	4,162	4,120
Business enterprises	2,527,317	2,704,091	2,537,231	2,712,607
Individuals	2,331,887	2,129,924	2,331,887	2,129,924
Others	1,648,171	1,511,099	1,648,171	1,511,099
	<b>6,511,537</b>	<b>6,349,234</b>	<b>6,521,451</b>	<b>6,357,750</b>

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	<u>Group and Bank</u>	
	<b>31 March</b>	31 December
	<u>2017</u>	<u>2016</u>
	RM'000	RM'000
Bank Negara Malaysia	<b>56,033</b>	55,957
Licensed banks	<b>1,605,652</b>	1,297,267
Licensed investment banks	<b>228</b>	266
Licensed islamic banks	<b>140</b>	968
Other financial institutions	<b>2</b>	2
	<b><u>1,662,055</u></b>	<u>1,354,460</u>

**17 Other liabilities**

	<u>Group</u>		<u>Bank</u>	
	<b>31 March</b>	31 December	<b>31 March</b>	31 December
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	<b>28,646</b>	32,964	<b>27,842</b>	32,112
Margin deposits	<b>78,267</b>	139,560	<b>78,267</b>	139,560
Other liabilities	<b>34,671</b>	40,128	<b>32,332</b>	38,458
	<b><u>141,584</u></b>	<u>212,652</u>	<b><u>138,441</u></b>	<u>210,130</u>

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**18 Interest income**

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Loans and advances		
- Interest income on non-impaired loans	<b>64,384</b>	64,244
- Interest income on impaired loans	<b>937</b>	814
Money at call and deposit placement with financial institutions	<b>27,211</b>	21,323
Securities		
- Held-to-maturity investments	<b>2,417</b>	3,622
	<b>94,949</b>	90,003
(Amortisation of premium)/ accretion of discount, net	<b>(160)</b>	15
Total interest income	<b>94,789</b>	90,018

**19 Interest Expense**

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Deposits and placements of banks and other financial institutions	<b>4,483</b>	12,323
Deposits from customers	<b>41,363</b>	37,642
Others	<b>294</b>	19
	<b>46,140</b>	49,984

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**20 Other operating income**

	<b>1st Quarter Ended Three Months Ended Group</b>		<b>1st Quarter Ended Three Months Ended Bank</b>	
	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Fees income:				
- Fee on loans and advances	<b>5,478</b>	4,441	<b>5,478</b>	4,441
- Service charges and fees	<b>9,413</b>	8,804	<b>993</b>	1,060
- Guarantee fees	<b>5,310</b>	3,518	<b>5,310</b>	3,518
	<b>20,201</b>	16,763	<b>11,781</b>	9,019
Fees income:				
- Commission related expenses	<b>(2,960)</b>	(2,729)	-	-
Net fee income	<b>17,241</b>	14,034	<b>11,781</b>	9,019
Foreign exchange income:				
- Realised	<b>10,102</b>	54,299	<b>10,102</b>	54,299
- Unrealised	<b>(38)</b>	(267)	<b>(38)</b>	(267)
Loss on revaluation of derivatives	<b>(1,589)</b>	(38,801)	<b>(1,589)</b>	(38,801)
Sale of precious metal	<b>104</b>	717	<b>104</b>	717
Other income	<b>8</b>	62	<b>61</b>	116
	<b>25,828</b>	30,044	<b>20,421</b>	25,083



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**21 Other operating expenses**

	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<u>Personnel expenses</u>				
Salaries & wages	10,471	9,485	9,853	9,016
Bonuses	4,533	4,034	4,351	3,909
Defined contribution plan ("EPF")	1,767	1,497	1,701	1,429
Staff welfare expenses	482	555	434	514
Other personnel costs	585	799	555	783
	<b>17,838</b>	<b>16,370</b>	<b>16,894</b>	<b>15,651</b>
<u>Marketing expenses</u>				
Entertainment	281	396	276	392
Other marketing	276	415	276	415
	<b>557</b>	<b>811</b>	<b>552</b>	<b>807</b>
<u>Establishment costs</u>				
Rental of premises	2,194	1,991	1,842	1,653
Depreciation	1,376	1,166	1,228	995
Amortisation	43	23	43	23
Repairs and maintenance	135	129	132	127
Property and equipment written off	405	-	405	-
Information technology expenses	212	843	209	842
Other establishment costs	341	95	339	83
	<b>4,706</b>	<b>4,247</b>	<b>4,198</b>	<b>3,723</b>
<u>Administration and general expenses</u>				
Insurance premium	104	23	98	23
Auditors' remuneration				
- statutory audit fees	61	60	50	47
- regulatory related service	30	25	28	21
Travelling and accommodation	389	499	369	486
Telecommunication and utilities	283	231	255	205
Printing, stationery and postage	189	168	154	139
Legal and professional fees	503	200	500	200
Other administration and general expenses	1,043	583	992	539
	<b>2,602</b>	<b>1,789</b>	<b>2,446</b>	<b>1,660</b>
<u>Other expenses</u>				
Cost of precious metal	93	595	93	595
	<b>93</b>	<b>595</b>	<b>93</b>	<b>595</b>
	<b>25,796</b>	<b>23,812</b>	<b>24,183</b>	<b>22,436</b>

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

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March</b>	31 March
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
Allowance for impaired loans and advances		
<u>Individual impairment allowance</u>		
- Made during the financial period	<b>1,686</b>	-
	<b>1,686</b>	-
<u>Collective impairment allowance</u>		
- Made during the financial period	<b>10,043</b>	15,813
- Written back during the financial period	<b>(10,442)</b>	(11,776)
	<b>(399)</b>	4,037
	<b>1,287</b>	4,037

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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 2017</u>	<u>31 December 2016</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b><u>Common Equity Tier 1 (CET1) Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>227,456</b>	227,456	<b>215,751</b>	215,751
Other reserves	<b>279,786</b>	279,786	<b>279,786</b>	279,786
Regulatory reserves	<b>26,948</b>	26,948	<b>26,948</b>	26,948
	<b>1,294,708</b>	1,294,708	<b>1,283,003</b>	1,283,003
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(4,738)</b>	(4,738)	<b>(4,553)</b>	(4,553)
- Regulatory reserve attributable to loans and advances	<b>(26,948)</b>	(26,948)	<b>(26,948)</b>	(26,948)
	<b>(31,686)</b>	(31,686)	<b>(31,501)</b>	(31,501)
Total CET1 capital / Total Tier 1 capital	<b>1,263,022</b>	1,263,022	<b>1,251,502</b>	1,251,502
<b><u>Tier-2 capital</u></b>				
Collective assessment allowance	<b>35,144</b>	35,657	<b>35,144</b>	35,657
Regulatory reserves	<b>25,375</b>	26,948	<b>25,375</b>	26,948
Less: Investment in subsidiary	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>60,519</b>	62,605	<b>59,519</b>	61,605
Total capital base	<b>1,323,541</b>	1,325,627	<b>1,311,021</b>	1,313,107
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>20.468%</b>	20.155%	<b>20.426%</b>	20.111%
Tier 1 capital ratio	<b>20.468%</b>	20.155%	<b>20.426%</b>	20.111%
Total capital ratio	<b>21.449%</b>	21.154%	<b>21.398%</b>	21.100%

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**23 Capital adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>5,696,624</b>	5,807,457	<b>5,692,900</b>	5,804,048
Market risk	<b>15,637</b>	12,611	<b>15,637</b>	12,611
Operational risk	<b>458,459</b>	446,601	<b>418,386</b>	406,461
Total risk-weighted assets	<b>6,170,720</b>	6,266,669	<b>6,126,923</b>	6,223,120

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 RM25.375 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.20% of total outstanding loans and advances, net of individual impairment. 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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**24 Commitments and contingencies**

	<b>Group and Bank</b>					
	<b>31 March 2017</b>			<b>31 December 2016</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	<b>45,999</b>	<b>45,999</b>	<b>47,161</b>	47,930	47,930	50,046
Transaction-related contingent items	<b>1,870,354</b>	<b>935,177</b>	<b>817,145</b>	1,828,022	914,011	834,739
Short-term self-liquidation trade related contingencies	<b>217,904</b>	<b>43,581</b>	<b>15,455</b>	221,700	44,340	17,784
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,634,836</b>	<b>326,967</b>	<b>277,923</b>	1,119,236	223,847	200,294
- Maturity exceeding one year	<b>421,887</b>	<b>210,944</b>	<b>161,587</b>	211,970	105,985	52,937
Foreign exchange related contracts:						
- Less than one year	<b>523,276</b>	<b>6,307</b>	<b>1,942</b>	89,383	499	282
<b>Total</b>	<b>4,714,256</b>	<b>1,568,975</b>	<b>1,321,213</b>	3,518,241	1,336,612	1,156,082

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**25 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 31 March 2017.

**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 2017.