

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	3,388,684	3,078,382	3,383,747	3,077,307
Deposits and placements with banks and other financial institutions	10	2,720,337	1,642,620	2,720,337	1,642,620
Derivative financial assets	11	1,062	275	1,062	275
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	404,995	-	404,995	-
Equity instrument at FVOCI	13	3,220	-	3,220	-
Debt instruments at amortised cost	14	893,650	-	893,650	-
Financial investments available-for-sale	15	-	409,228	-	409,228
Financial investments held-to-maturity	16	-	1,321,890	-	1,321,890
Loans and advances	17	6,429,711	5,881,389	6,429,711	5,881,389
Other assets	18	4,684	13,875	4,115	4,942
Deferred tax assets		17,767	5,997	17,576	5,807
Statutory deposits with Bank Negara Malaysia		111,200	112,300	111,200	112,300
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		62,252	62,678	60,772	61,040
Intangible assets		1,014	722	1,014	722
<b>TOTAL ASSETS</b>		<b>14,038,576</b>	<b>12,529,356</b>	<b>14,032,399</b>	<b>12,518,520</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	9,356,304	8,223,878	9,373,252	8,230,906
Deposits and placements of banks and other financial institutions	20	1,938,863	1,465,999	1,938,863	1,465,999
Derivative financial liabilities	11	4,574	126	4,574	126
Other liabilities	21	120,961	166,286	116,501	163,435
Provision for taxation		1,136	1,000	636	500
Subordinated loan	22	1,202,279	1,258,626	1,202,279	1,258,626
<b>TOTAL LIABILITIES</b>		<b>12,624,117</b>	<b>11,115,915</b>	<b>12,636,105</b>	<b>11,119,592</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		653,941	652,923	635,776	638,410
<b>TOTAL EQUITY</b>		<b>1,414,459</b>	<b>1,413,441</b>	<b>1,396,294</b>	<b>1,398,928</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,038,576</b>	<b>12,529,356</b>	<b>14,032,399</b>	<b>12,518,520</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<b>5,195,492</b>	<b>4,724,674</b>	<b>5,195,492</b>	<b>4,724,674</b>

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	Note	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	23	125,690	94,789	125,690	94,789
Interest expense	24	(61,862)	(46,140)	(61,862)	(46,140)
Net interest income		63,828	48,649	63,828	48,649
Other operating income	25	25,395	25,828	18,655	20,421
Other operating expenses	26	(33,201)	(25,796)	(31,240)	(24,183)
Operating profit before allowance for expected credit losses		56,022	48,681	51,243	44,887
Allowance for impairment on loans and advances	27	-	(1,287)	-	(1,287)
Allowance for expected credit losses on:					
- Financial assets measured at amortised cost	27	(4,325)	-	(4,325)	-
- Commitments and contingencies	27	(1,563)	-	(1,563)	-
Profit before taxation		50,134	47,394	45,355	43,600
Taxation		(11,229)	(11,510)	(10,104)	(10,760)
<b>Profit for the financial period</b>		<b>38,905</b>	<b>35,884</b>	<b>35,251</b>	<b>32,840</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net fair value changes in equity instrument at FVOCI, net of tax		(846)	-	(846)	-
Other comprehensive income, net of tax		(846)	-	(846)	-
Total comprehensive income for the period, net of tax		<b>38,059</b>	<b>35,884</b>	<b>34,405</b>	<b>32,840</b>
Earnings per share					
- Basic/fully diluted (sen)		<b>5.12</b>	<b>4.72</b>		

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	← 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
<b>Group</b>								
Balance as at 31 December 2017	<b>760,518</b>	-	<b>1,163</b>	-	<b>30,067</b>	<b>621,693</b>	<b>1,413,441</b>	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	<b>(1,163)</b>	<b>1,163</b>	-	<b>(37,625)</b>	<b>(37,625)</b>	
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	<b>584</b>	-	-	<b>584</b>	
<b>1 January 2018, as restated</b>	<b>760,518</b>	-	-	<b>1,747</b>	<b>30,067</b>	<b>584,068</b>	<b>1,376,400</b>	
Profit for the financial period	-	-	-	-	-	<b>38,905</b>	<b>38,905</b>	
Other comprehensive income, net of tax	-	-	-	<b>(846)</b>	-	-	<b>(846)</b>	
Total comprehensive income for the financial period, net of tax	-	-	-	<b>(846)</b>	-	<b>38,905</b>	<b>38,059</b>	
<b>At 31 March 2018</b>	<b>760,518</b>	-	-	<b>901</b>	<b>30,067</b>	<b>622,973</b>	<b>1,414,459</b>	
Balance as at 1 January 2017	760,518	279,786	-	-	26,948	227,456	1,294,708	
Total comprehensive income for the financial period	-	-	-	-	-	35,884	35,884	
Transfer to regulatory reserve	-	-	-	-	(1,573)	1,573	-	
At 31 March 2017	760,518	279,786	-	-	25,375	264,913	1,330,592	

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	←		Non-distributable		→		Distributable	
	Share	Statutory	Revaluation	Fair value	Regulatory	Retained	Total	
	<u>capital</u>	<u>reserve</u>	<u>reserve</u>	through other	<u>reserve</u>	<u>profits</u>	<u>Total</u>	
	RM'000	RM'000	RM'000	comprehensive	RM'000	RM'000	RM'000	RM'000
	<u>reserve</u>			<u>reserve</u>				
<b>Bank</b>								
Balance as at 31 December 2017	<b>760,518</b>	-	<b>1,163</b>	-	<b>30,067</b>	<b>607,180</b>	<b>1,398,928</b>	
Effect of adopting MFRS 9 <i>Financial Instruments</i>	-	-	<b>(1,163)</b>	<b>1,163</b>	-	<b>(37,623)</b>	<b>(37,623)</b>	
Effect of adopting MFRS 9 <i>Financial Instruments - OCI</i>	-	-	-	<b>584</b>	-	-	<b>584</b>	
<b>1 January 2018, as restated</b>	<b>760,518</b>	-	-	<b>1,747</b>	<b>30,067</b>	<b>569,557</b>	<b>1,361,889</b>	
Profit for the financial period	-	-	-	-	-	<b>35,251</b>	<b>35,251</b>	
Other comprehensive income, net of tax	-	-	-	<b>(846)</b>	-	-	<b>(846)</b>	
Total comprehensive income for the financial period, net of tax	-	-	-	<b>(846)</b>	-	<b>35,251</b>	<b>34,405</b>	
<b>At 31 March 2018</b>	<b>760,518</b>	-	-	<b>901</b>	<b>30,067</b>	<b>604,808</b>	<b>1,396,294</b>	
Balance as at 1 January 2017	760,518	279,786	-	-	26,948	215,751	1,283,003	
Total comprehensive income for the period	-	-	-	-	-	32,840	32,840	
Transfer to regulatory reserve	-	-	-	-	(1,573)	1,573	-	
At 31 March 2017	<b>760,518</b>	<b>279,786</b>	-	-	<b>25,375</b>	<b>250,164</b>	<b>1,315,843</b>	

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2017*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Note	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>50,134</b>	47,394	<b>45,355</b>	43,600
<i>Adjustment for:</i>				
Depreciation of property and equipment	<b>1,689</b>	1,376	<b>1,518</b>	1,228
Amortisation of intangible assets	<b>105</b>	43	<b>105</b>	43
Amortisation of premium less accretion of discount	<b>343</b>	160	<b>343</b>	160
Credit impairment losses/allowance for ECL losses on loans and advances	<b>5,888</b>	1,287	<b>5,888</b>	1,287
Interest income from financial investments held-to-maturity	-	(2,417)	-	(2,417)
Interest income from financial assets at FVOCI	<b>(3,666)</b>	-	<b>(3,666)</b>	-
Interest income from debt instruments at amortised cost	<b>(9,661)</b>	-	<b>(9,661)</b>	-
Interest expense on subordinated loan	<b>5,915</b>	-	<b>5,915</b>	-
Unrealised foreign exchange loss	<b>(1,996)</b>	38	<b>(1,996)</b>	38
Net loss on revaluation of derivatives	<b>3,661</b>	1,589	<b>3,661</b>	1,589
Property and equipment written off	<b>12</b>	405	<b>11</b>	405
Operating profit before changes in operating activities	<b>52,424</b>	49,875	<b>47,473</b>	45,933
<b>(INCREASE)/ DECREASE IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	<b>(1,077,838)</b>	(87,209)	<b>(1,077,838)</b>	(87,209)
Loans and advances	<b>(599,405)</b>	171,021	<b>(599,405)</b>	171,021
Other assets	<b>11,184</b>	(1,328)	<b>2,823</b>	(1,353)
Statutory deposits with Bank Negara Malaysia	<b>1,100</b>	(100)	<b>1,100</b>	(100)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	<b>1,132,426</b>	162,303	<b>1,142,346</b>	163,701
Deposits and placements of banks and other financial institutions	<b>472,864</b>	307,595	<b>472,864</b>	307,595
Other liabilities	<b>(49,487)</b>	(71,068)	<b>(51,096)</b>	(71,689)
Subordinated loan	<b>(57,136)</b>	-	<b>(57,136)</b>	-
Cash (used in)/ generated from operating activities	<b>(113,868)</b>	531,089	<b>(118,869)</b>	527,899
Taxes paid	<b>(10,914)</b>	(9,750)	<b>(9,788)</b>	(9,000)
Net cash (used in)/generated from operating activities	<b>(124,782)</b>	521,339	<b>(128,657)</b>	518,899

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
Note	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(1,276)</b>	(4,478)	<b>(1,263)</b>	(4,478)
Purchase of intangible assets	<b>(397)</b>	-	<b>(397)</b>	-
Purchases of debt instruments at amortised cost	<b>(1,240,000)</b>	-	<b>(1,240,000)</b>	-
Proceeds from maturity of debt instruments at amortised cost	<b>1,665,000</b>	100,000	<b>1,665,000</b>	100,000
Interest received on debts instruments at amortised cost	<b>12,910</b>	-	<b>12,910</b>	-
Interest received on financial investments held-to-maturity	-	4,134	-	4,134
Interest received on debt instruments at FVOCI	<b>4,000</b>	-	<b>4,000</b>	-
Net cash generated from investing activities	<b>440,237</b>	99,656	<b>440,250</b>	99,656
<b>CASH FLOW FROM FINANCING ACTIVITY</b>				
Interest paid on subordinated loan	<b>(5,126)</b>	-	<b>(5,126)</b>	-
Net cash generated from financing activity	<b>(5,126)</b>	-	<b>(5,126)</b>	-
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>310,329</b>	620,995	<b>306,467</b>	618,555
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>3,078,355</b>	3,138,153	<b>3,077,280</b>	3,133,474
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>3,388,684</b>	3,759,148	<b>3,383,747</b>	3,752,029

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

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

For the first quarter ended 31 March 2018, the Group recorded profit before taxation of RM50.1 million, a increase of RM2.7 million or 5.8% compared to the corresponding period of 2017. The profit was mainly due to higher net interest income by RM15.2 million to RM63.8 million, which partially offset with increase in operating expenses by RM7.4 million to RM33.2 million and followed by higher allowance for impairment on loans and advances by RM4.6 million to RM5.9 million.

The Group's total assets increased by RM1,509.2 million or 12.0% as compared to 31 December 2017. The total assets growth was mainly due to higher deposits and placements with banks and other financial institutions.

The Bank will aggressively look for opportunity to deepen economic and trade relationship between China and Malaysia along with the Belt and Road initiative, focusing on expanding the clientele of the supply-chain and mega construction projects. The Bank will improve the structure of treasury functions to facilitate the Bank's plan to diversify the investment portfolio and strengthen cash management and cross border services.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2018 have been prepared in accordance with Malaysia Financial Reporting Standards ("MFRS") 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 2017.

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 2017.

Since the previous annual audited financial statements as at 31 December 2017 were issued, the Group and the Bank have adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2018.

Changes in accounting policies

In these unaudited financial statements, the Group and the Bank has adopted MFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt MFRS 9 in previous period.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank has not restated comparative information for 2017 for financial instruments in the scope of MFRS 9. Any adjustments to the carrying amount of financial assets and liabilities at the date of transitional were recognised in the retained profits and other reserves as of 1 January 2018.

The adoption of MFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of assets. MFRS 9 significantly amends other standards dealing with financial instruments such as MFRS 7 "Financial Instruments: Disclosures".

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**2 Group Accounting Policies (Continued)**

The MFRS 9 measurement categories of financial assets (fair value through profit or loss ("FVTPL"), available-for-sale ("AFS"), held-to-maturity ("HTM") and amortised cost have been replaced by:

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

The adoption of MFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing MFRS 139's incurred loss approach with a forward-looking expected credit losses ("ECL") approach. MFRS 9 requires the Bank to record an allowance for ECL for all loans and other debt financial assets not held at fair value through profit or loss ("FVTPL"), together with loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired ("POCI"), the allowance is based on the change in the ECL over the life of the asset.

New Measurement Under MFRS 9

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

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



**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**2 Group Accounting Policies (Continued)**

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

- 1) Cash and short term funds, securities purchased under resale agreement, deposit and placement with financial institutions, loans and advances and statutory deposits with Bank Negara Malaysia that have previously been measured as loans and receivables are now measured as amortised cost. The Group and the Bank intend to hold these assets to maturity to collect contractual cash flows.
- 2) Debt instruments that were previously classified as available-for-sale and carried at fair value were assessed to have a business model of both collecting contractual cash flows and selling financial assets, and accordingly, are classified as fair value through other comprehensive income under MFRS 9.
- 3) The Group and the Bank have elected to apply fair value through other comprehensive income option for its equity instruments (mainly unquoted shares) that were previously classified as available-for-sale at cost. These assets will remain accounted for at fair value through other comprehensive income with no subsequent recycling of realised gains or losses to profit or loss.

Changes to impairments of financial assets in the Group and the Bank upon adoption of MFRS 9

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

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

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

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

**2 Group Accounting Policies (Continued)**

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

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

**Summary statement of financial position as at 1 January 2018**

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

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

**2 Group Accounting Policies (Continued)**

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

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

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**2 Group Accounting Policies (Continued)**

Changes in accounting policies (continued)

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

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

Standards issued but not yet effective

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

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

**IC Int 23: Uncertainty over Income Tax Treatments**

The Interpretation specifically addresses the following:

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

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

**MFRS 16 Leases**

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

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

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

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**3 Audit Report**

The audit report for the financial year ended 31 December 2017 was not subject to any qualification.

**4 Seasonal or Cyclical Factors**

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

**5 Exceptional or Extraordinary Items**

There were no exceptional or extraordinary items in the three months ended 31 March 2018.

**6 Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the three months ended 31 March 2018.

**7 Changes in Debt and Equity Securities**

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

**8 Dividend paid**

No dividend was paid during the three months ended 31 March 2018.

**9 Cash and short-term funds**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>137,028</b>	195,620	<b>132,091</b>	194,545
Money at call and deposit placements maturing within one month	<b>3,251,678</b>	2,882,762	<b>3,251,678</b>	2,882,762
	<b>3,388,706</b>	3,078,382	<b>3,383,769</b>	3,077,307
Less: allowance for ECL	<b>(22)</b>	-	<b>(22)</b>	-
	<b>3,388,684</b>	3,078,382	<b>3,383,747</b>	3,077,307

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**9 Cash and short-term funds (continued)**

	<b>Group/Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b><u>Movements in loss allowance for ECL on Cash and short-term funds</u></b>		
As at 31 December 2017	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	<b>27</b>	-
<b>1 January 2018, as restated</b>	<b>27</b>	-
Charged to income statement :		
(Decrease)/Increase in ECL	<b>(5)</b>	-
At end of the financial period	<b>22</b>	-

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Bank Negara Malaysia	460,451	-
Licensed banks	<b>2,259,910</b>	1,642,620
	<b>2,720,361</b>	1,642,620
Less: allowance for ECL	<b>(24)</b>	-
	<b>2,720,337</b>	1,642,620

	<b>Group/Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b><u>Movements in loss allowance for ECL on Deposits and placements with banks and other financial institutions</u></b>		
As at 31 December 2017	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	<b>121</b>	-
<b>1 January 2018, as restated</b>	<b>121</b>	-
Charged to income statement :		
(Decrease)/Increase in ECL	<b>(97)</b>	-
At end of the financial period	<b>24</b>	-

**11 Derivative Financial Assets/(Liabilities)**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Derivative financial assets	1,062	275
Derivative financial liabilities	<b>(4,574)</b>	(126)
	<b>(3,512)</b>	149

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**12 Debt instruments at fair value through other comprehensive income**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instrument:		
Malaysian Government Securities	<b>404,995</b>	-
	<b>404,995</b>	-

**13 Equity instrument at fair value through other comprehensive income**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia	<b>3,220</b>	-
	<b>3,220</b>	-

**14 Debt instruments at amortised cost**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instrument:		
Negotiable instruments of deposits	<b>893,650</b>	-
	<b>893,650</b>	-

**15 Financial investments available-for-sale**

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**16 Financial investments held-to-maturity**

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

**17 Loans and advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>559,442</b>	675,435
Terms loans		
- Housing loans	<b>334,906</b>	313,029
- Syndicated term loans	<b>2,137,047</b>	1,462,576
- Other term loans	<b>1,487,210</b>	1,456,743
Bills receivables	<b>265,944</b>	307,169
Trust receipts	<b>50,715</b>	33,779
Claims on customers under acceptance credits	<b>562,007</b>	556,804
Revolving credits	<b>1,162,959</b>	1,157,039
Staff loans	<b>2,092</b>	2,115
Gross loans and advances	<u><b>6,562,322</b></u>	<u>5,964,689</u>
Less: Loss allowance for ECL/impairment on loans and advances		
- Allowance for ECL	<b>(132,611)</b>	-
- Individual impairment allowance	-	(42,298)
- Collective impairment allowance	-	(41,002)
Total net loans and advances	<u><b>6,429,711</b></u>	<u>5,881,389</u>

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>4,861,024</b>	4,551,199
Other countries	<b>1,701,298</b>	1,413,490
Gross loans and advances	<u><b>6,562,322</b></u>	<u>5,964,689</u>



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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**17 Loans and advances (continued)**

**At amortised cost (continued)**

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loans	<b>1,218,953</b>	1,301,585
Variable rate		
- Base Rate/Base Lending Rate plus	<b>2,031,726</b>	2,157,403
- Cost of funds plus	<b>3,016,218</b>	2,505,702
- Other variable rates	<b>295,425</b>	-
Gross loans and advances	<b><u>6,562,322</u></b>	<u>5,964,689</u>

**(iv) By economic sector**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	<b>542,826</b>	488,950
Mining and quarrying	<b>451,436</b>	56,025
Manufacturing	<b>1,247,432</b>	1,190,232
Electricity, gas and water supply	<b>124,697</b>	262,471
Construction	<b>326,605</b>	368,711
Real estate	<b>1,529,784</b>	1,261,115
Wholesale and retail trade and restaurants and hotels	<b>274,012</b>	319,462
Transport, storage and communication	<b>188,459</b>	197,958
Finance, insurance and business services	<b>828,363</b>	843,737
Education, health and others	<b>232,632</b>	86,750
Household	<b>816,076</b>	889,278
	<b><u>6,562,322</u></b>	<u>5,964,689</u>

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>RM'000</b>	<b>RM'000</b>
Up to one month	<b>1,562,600</b>	1,368,043
More than one month to three months	<b>866,954</b>	1,081,217
More than three months to six months	<b>192,828</b>	348,739
More than six months to twelve months	<b>495,878</b>	42,320
More than twelve months	<b>3,444,062</b>	3,124,370
Gross loans and advances	<b><u>6,562,322</u></b>	<u>5,964,689</u>

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**17 Loans and advances (continued)**

**(vi) Changes in gross loans and advances carrying amount**

**Group and Bank**  
**31 March 2018**

	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL (not credit impaired) (Stage 2) RM'000</b>	<b>Lifetime ECL (credit impaired) (Stage 3) RM'000</b>	<b>Total RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	4,971,176	895,748	97,765	5,964,689
<b>As at 1 January 2018, restated</b>	<b>4,971,176</b>	<b>895,748</b>	<b>97,765</b>	<b>5,964,689</b>
Transfer to lifetime ECL not credit impaired	(264,028)	264,028	-	-
Transferred to 12-month ECL	57,799	(57,799)	-	-
Transferred to lifetime ECL credit impaired				
(i) Stage 1 to stage 3	(968)	-	968	-
(ii) Stage 2 to stage 3	-	(7,143)	7,143	-
New loans/financing originated or purchased	933,798	251	-	934,049
Full settlement	(51,957)	(21,826)	-	(73,783)
Repayment	(136,018)	(134,823)	(1,092)	(271,933)
Outstanding amount increase during the year	9,605	-	-	9,605
Bad debts written off	-	-	(305)	(305)
Gross carrying amount at the end of period	<b>5,519,407</b>	<b>938,436</b>	<b>104,479</b>	<b>6,562,322</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**17 Loans and advances (continued)**

**(vii) Impaired loans and advances**

Movements in impaired loans and advances

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

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

**(a) By geographical**

	<b><u>Group and Bank</u></b>	
	<b><u>31 March</u></b> <b><u>2018</u></b> <b>RM'000</b>	31 December 2017 RM'000
Malaysia	<u><u>104,479</u></u>	<u><u>97,765</u></u>

**(b) By economic sector**

	<b><u>Group and Bank</u></b>	
	<b><u>31 March</u></b> <b><u>2018</u></b> <b>RM'000</b>	31 December 2017 RM'000
Manufacturing	<b>65,391</b>	63,554
Construction	<b>3,462</b>	-
Wholesale and retail trade and restaurants and hotels	<b>21,887</b>	21,684
Transport, storage and communication	-	312
Finance, insurance and business services	-	305
Household	<b>9,476</b>	7,649
Real estate	<b>4,263</b>	4,261
	<u><u>104,479</u></u>	<u><u>97,765</u></u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

17 Loans and advances (continued)

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

Loans & advances - changes in ECL

Group and Bank  
31 March 2018

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Collective impairment allowance RM'000	Individual impairment allowance RM'000	Total RM'000
As at 31 December 2017	-	-	-	41,002	42,298	83,300
Effect of adopting MFRS 9 <i>Financial Instruments</i>	29,456	45,216	53,822	(41,002)	(42,298)	45,194
<b>1 January 2018, as restated</b>	<b>29,456</b>	<b>45,216</b>	<b>53,822</b>	-	-	<b>128,494</b>
Transfer to lifetime ECL not credit impaired	(2,684)	2,684	-	-	-	-
Transferred to 12 months ECL	705	(705)	-	-	-	-
Transferred to lifetime ECL credit impaired						
(i) Stage 1 to stage 3	(2)	-	2	-	-	-
(ii) Stage 2 to stage 3	-	(206)	206	-	-	-
New loans ECL	833	13	-	-	-	846
Provision/reversal during the period	(3,384)	2,008	5,826	-	-	4,450
Full settlement	(874)	-	-	-	-	(874)
Amounts written off	-	-	(305)	-	-	(305)
Gross carrying amount as at 31 March 2018	<b>24,050</b>	<b>49,010</b>	<b>59,551</b>	-	-	<b>132,611</b>

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**17 Loans and advances (continued)**

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

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

**18 Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	31 December	<b>31 March</b>	31 December
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Other receivables	797	9,775	649	1,263
Sundry deposits	2,975	3,020	2,559	2,604
Prepayment	628	705	623	700
Precious metal inventories, at fair value	284	375	284	375
	<u><u>4,684</u></u>	<u><u>13,875</u></u>	<u><u>4,115</u></u>	<u><u>4,942</u></u>

**19 Deposits from customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March</b>	31 December	<b>31 March</b>	31 December
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM'000	RM'000	RM'000	RM'000
Demand deposits	5,029,449	3,748,059	5,046,397	3,755,087
Savings deposits	203,614	198,438	203,614	198,438
Fixed deposits	3,922,921	4,075,045	3,922,921	4,075,045
Negotiable instruments of deposits	200,320	202,336	200,320	202,336
	<u><u>9,356,304</u></u>	<u><u>8,223,878</u></u>	<u><u>9,373,252</u></u>	<u><u>8,230,906</u></u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**19 Deposits from customers (continued)**

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

	<b>Group and Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	<b>2,893,764</b>	3,470,608
Six months to one year	<b>1,222,691</b>	803,484
One year to three years	<b>6,786</b>	3,289
	<b><u>4,123,241</u></b>	<b><u>4,277,381</u></b>

(iii) By type of customers

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	<b>4,152</b>	4,113	<b>4,152</b>	4,113
Business enterprises	<b>5,872,550</b>	4,645,161	<b>5,889,498</b>	4,652,189
Individuals	<b>2,388,195</b>	2,437,060	<b>2,388,195</b>	2,437,060
Others	<b>1,091,407</b>	1,137,544	<b>1,091,407</b>	1,137,544
	<b><u>9,356,304</u></b>	<b><u>8,223,878</u></b>	<b><u>9,373,252</u></b>	<b><u>8,230,906</u></b>

**20 Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<b>44,930</b>	45,227
Licensed banks	<b>1,892,497</b>	1,419,335
Licensed investment banks	<b>282</b>	282
Licensed Islamic banks	<b>1,152</b>	1,152
Other financial institutions	<b>2</b>	3
	<b><u>1,938,863</u></b>	<b><u>1,465,999</u></b>

**21 Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	<b>30,169</b>	32,978	<b>28,931</b>	31,866
Margin deposits	<b>39,999</b>	67,599	<b>39,999</b>	67,599
Other liabilities	<b>45,068</b>	65,709	<b>41,846</b>	63,970
Allowance for ECL on commitments and contingencies	<b>5,725</b>	-	<b>5,725</b>	-
	<b><u>120,961</u></b>	<b><u>166,286</u></b>	<b><u>116,501</u></b>	<b><u>163,435</u></b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**21 Other liabilities (continued)**

**Movements in allowance for ECL on commitment and contingencies**

	<b>Group and Bank</b>			<b>Total</b>
	<b>31 March 2018</b>			
	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime ECL (not credit impaired) (Stage 2) RM'000</b>	<b>Lifetime ECL (credit impaired) (Stage 3) RM'000</b>	<b>RM'000</b>
As at 31 December 2017	-	-	-	-
Effect of adopting MFRS 9 <i>Financial Instruments</i>	3,720	441	1	<b>4,162</b>
<b>1 January 2018, as restated</b>	<b>3,720</b>	<b>441</b>	<b>1</b>	<b>4,162</b>
Allowance/Reversal for ECL during the period	307	199	10	516
Transfer from stage 1 to stage 2	(299)	299	-	-
Transfer from stage 2 to stage 1	262	(262)	-	-
New loans/financing originated or purchased	1,124	37	-	1,161
Full settlement	(109)	(5)	-	(114)
Gross carrying amount as at 31 March 2018	<u>5,005</u>	<u>709</u>	<u>11</u>	<u>5,725</u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**22 Subordinated loan**

	<b>GROUP AND BANK</b>	
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>RM'000</b>	RM'000
At cost	<b>1,254,725</b>	1,254,725
Interest accrued	<b>4,439</b>	3,901
Foreign exchange difference	<b>(56,885)</b>	-
	<b>1,202,279</b>	1,258,626

On 26 July 2017, the Bank has issued an USD310 million subordinated loan (ten (10) years maturity, non-callable five (5) years) which bears interest rate equal to 0.30% plus 3-month USD LIBOR, payable 3 months in arrears.

The subordinated loan was approved by BNM for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

The tenor of the Subordinated Loan facility is the 10 years (non-callable five (5) years) from the drawdown date with interest payable in arrears, and is prepayable after 5 years subject to BNM's approval and other conditions.

The subordinated loan constitutes a direct, unsecured and subordinated obligation of the Bank.



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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**23 Interest income**

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Loans and advances		
- Interest income on non-credit impaired loans	<b>68,202</b>	64,433
- Interest income on credit impaired loans	<b>1,963</b>	937
Money at call and deposit placement with financial institutions	<b>42,541</b>	27,162
Debt instruments at FVOCI	<b>3,666</b>	-
Debt instruments at amortised cost	<b>9,661</b>	-
Financial investments held-to-maturity	<b>-</b>	2,417
	<b>126,033</b>	94,949
Amortisation of premium less accretion of discount	<b>(343)</b>	(160)
Total interest income	<b>125,690</b>	94,789

**24 Interest Expense**

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Deposits and placements of banks and other financial institutions	<b>4,785</b>	4,483
Deposits from customers	<b>50,998</b>	41,363
Subordinated loan	<b>5,915</b>	-
Others	<b>164</b>	294
	<b>61,862</b>	46,140

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**25 Other operating income**

	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Fees income:				
- Fee on loans and advances	7,535	5,478	7,535	5,478
- Service charges and fees	12,117	9,413	919	993
- Guarantee fees	2,962	5,310	2,962	5,310
	<b>22,614</b>	20,201	<b>11,416</b>	11,781
Fees expense:				
- Commission related expenses	(4,406)	(2,960)	-	-
Net fee income	<b>18,208</b>	17,241	<b>11,416</b>	11,781
Foreign exchange income/(loss):				
- Realised	8,636	10,102	8,636	10,102
- Unrealised	1,996	(38)	1,996	(38)
Net loss on revaluation of derivatives	<b>(3,661)</b>	(1,589)	<b>(3,661)</b>	(1,589)
Sale of precious metal	203	104	203	104
Other income	13	8	65	61
	<b>25,395</b>	25,828	<b>18,655</b>	20,421

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**26 Other operating expenses**

	1st Quarter Ended Three Months Ended Group		1st Quarter Ended Three Months Ended Bank	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
<u>Personnel expenses</u>				
Salaries & wages	11,956	10,471	11,302	9,853
Bonuses	5,799	4,533	5,541	4,351
Defined contribution plan ("EPF")	2,231	1,767	2,145	1,701
Staff welfare expenses	495	482	444	434
Other personnel costs	2,564	585	2,511	555
	<b>23,045</b>	<b>17,838</b>	<b>21,943</b>	<b>16,894</b>
<u>Marketing expenses</u>				
Entertainment	250	281	242	276
Other marketing	694	276	694	276
	<b>944</b>	<b>557</b>	<b>936</b>	<b>552</b>
<u>Establishment costs</u>				
Rental of premises	2,244	2,194	1,873	1,842
Depreciation of property and equipment	1,689	1,376	1,518	1,228
Amortisation of intangible assets	105	43	105	43
Repairs and maintenance	175	135	174	132
Property and equipment written off	12	405	11	405
Information technology expenses	714	212	709	209
Other establishment costs	322	341	310	339
	<b>5,261</b>	<b>4,706</b>	<b>4,700</b>	<b>4,198</b>
<u>Administration and general expenses</u>				
Insurance premium	22	104	14	98
Auditors' remuneration				
- statutory audit fees	61	61	50	50
- regulatory related service	280	30	278	28
Travelling and accommodation	619	389	594	369
Telecommunication and utilities	295	283	255	255
Printing, stationery and postage	540	189	441	154
Legal and professional fees	132	503	132	500
Other administration and general expenses	1,834	1,043	1,729	992
	<b>3,783</b>	<b>2,602</b>	<b>3,493</b>	<b>2,446</b>
<u>Other expenses</u>				
Cost of sales of precious metal	168	93	168	93
	<b>168</b>	<b>93</b>	<b>168</b>	<b>93</b>
	<b>33,201</b>	<b>25,796</b>	<b>31,240</b>	<b>24,183</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**27 Credit impairment losses/ allowance for losses on loans and advances**

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>			<b>Total RM'000</b>
	<b>31 March 2018</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
Cash and short-term funds	(5)	-	-	(5)
Deposits and placements with banks and other financial institutions	(97)	-	-	(97)
Loans and advances	<u>(3,427)</u>	<u>1,815</u>	<u>-</u>	<u>(1,612)</u>
	<b>(3,529)</b>	<b>1,815</b>	<b>-</b>	<b>(1,714)</b>
Impaired loans and advances				
- Charge	-	-	<u>6,039</u>	<u>6,039</u>
Financial assets measured at amortised cost	<u>(3,529)</u>	<u>1,815</u>	<u>6,039</u>	<u>4,325</u>
Commitments and contingencies	<u>1,563</u>	<u>-</u>	<u>-</u>	<u>1,563</u>
	<u><b>(1,966)</b></u>	<u><b>1,815</b></u>	<u><b>6,039</b></u>	<u><b>5,888</b></u>

	<b>1st Quarter Ended Three Months Ended Group and Bank</b>	
	<b>31 March 2017 RM'000</b>	
Allowances for impaired loans and advances:		
- Individual impairment allowance		1,686
- Collective impairment allowance		<u>(399)</u>
		<u><b>1,287</b></u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**28 Capital adequacy**

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

	<u>Group</u>		<u>Bank</u>	
	<u>31 March 2018</u> RM'000	<u>31 December 2017</u> RM'000	<u>31 March 2018</u> RM'000	<u>31 December 2017</u> RM'000
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	622,973	621,693	604,808	607,180
Regulatory reserve	30,067	30,067	30,067	30,067
Fair value through other comprehensive reserve	901	-	901	-
Revaluation reserve	-	1,163	-	1,163
	<b>1,414,459</b>	<b>1,413,441</b>	<b>1,396,294</b>	<b>1,398,928</b>
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(17,767)	(5,997)	(17,576)	(5,807)
- 55% of cumulative unrealised gains of FVOCI financial instruments	(496)	-	(496)	-
- 55% of cumulative gains of AFS	-	(641)	-	(641)
- Regulatory reserve	(30,067)	(30,067)	(30,067)	(30,067)
	<b>(48,330)</b>	<b>(36,705)</b>	<b>(48,139)</b>	<b>(36,515)</b>
Total CET1 capital / Total Tier 1 capital	<b>1,366,129</b>	<b>1,376,736</b>	<b>1,348,155</b>	<b>1,362,413</b>
<b><u>Tier-2 capital</u></b>				
General provision*	100,620	71,047	100,581	71,047
Subordinated loan	1,197,840	1,254,725	1,197,840	1,254,725
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	<b>1,298,460</b>	<b>1,325,772</b>	<b>1,297,421</b>	<b>1,324,772</b>
Total capital base	<b>2,664,589</b>	<b>2,702,508</b>	<b>2,645,576</b>	<b>2,687,185</b>
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>15.884%</b>	17.095%	<b>15.763%</b>	17.016%
Tier 1 capital ratio	<b>15.884%</b>	17.095%	<b>15.763%</b>	17.016%
Total capital ratio	<b>30.980%</b>	33.558%	<b>30.933%</b>	33.561%

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**28 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 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>8,049,605</b>	7,543,439	<b>8,046,509</b>	7,540,958
Market risk	<b>25,967</b>	9,033	<b>25,967</b>	9,033
Operational risk	<b>525,342</b>	500,873	<b>480,132</b>	456,835
Total risk-weighted assets	<b>8,600,914</b>	8,053,345	<b>8,552,608</b>	8,006,826

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

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

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

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**29 Commitments and contingencies**

	<b>Group and Bank</b>					
	<b>31 March 2018</b>			<b>31 December 2017</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>
Direct credit substitutes	<b>1,104</b>	<b>1,104</b>	<b>1,104</b>	47,144	47,144	47,144
Transaction-related contingent items	<b>2,420,745</b>	<b>1,210,372</b>	<b>1,034,649</b>	2,420,967	1,210,483	1,029,664
Short-term self-liquidation trade related contingencies	<b>105,768</b>	<b>21,154</b>	<b>11,540</b>	166,406	33,281	20,185
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,892,649</b>	<b>378,530</b>	<b>333,975</b>	1,749,285	349,857	303,756
- Maturity exceeding one year	<b>261,207</b>	<b>130,603</b>	<b>123,782</b>	251,208	125,604	114,359
Foreign exchange related contracts:						
- Less than one year	<b>513,999</b>	<b>6,679</b>	<b>2,918</b>	89,664	532	170
Unutilised credit card lines	<b>20</b>	<b>4</b>	<b>3</b>	-	-	-
<b>Total</b>	<b>5,195,492</b>	<b>1,748,446</b>	<b>1,507,971</b>	4,724,674	1,766,901	1,515,278

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

**30 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 31 March 2018.

**31 Valuation of Property, Plant and Equipment**

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

**32 Events subsequent to Reporting Date**

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

**33 Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the first quarter ended 31 March 2018.