

Company No. 511251-V

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company No. 511251-V

**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2014.

**PRINCIPAL ACTIVITIES**

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

There were no significant changes in these activities during the financial year.

**RESULTS**

|                                   | <u>GROUP</u><br>RM'000 | <u>BANK</u><br>RM'000 |
|-----------------------------------|------------------------|-----------------------|
| Profit before taxation            | 150,559                | 144,267               |
| Taxation                          | <u>(44,256)</u>        | <u>(40,180)</u>       |
| Net profit for the financial year | <u><u>106,303</u></u>  | <u><u>104,087</u></u> |

**DIVIDENDS**

No dividends has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not recommend any dividend in respect of the current financial year.

**CHANGES IN DEBT AND EQUITY SECURITIES**

During the financial year, the Bank increased its authorised share capital from 304,000,000 to 804,000,000 through the creation of 500,000,000 ordinary shares of RM1.00 each.

The Bank increased its issued and paid-up ordinary share capital from 304,000,000 to 760,518,480 by way of the issuance of 456,518,480 ordinary shares of RM1.00 each at an issue price of RM1.00 per ordinary share for cash, for additional workings capital purposes.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Bank.

Other than as disclosed above, there were no issuance and repayment of debt, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no bad debts and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Bank to meet their obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**ITEMS OF AN UNUSUAL NATURE**

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

**SUBSEQUENT EVENTS**

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

**DIRECTORS**

The Directors who have held office during the period since the date of the last report and at the date of this report are as follows:

Zheng Weiping

Liu Lijing

Wang Hongwei

Datuk Ter Leong Yap

Chai Woon Chew, Michael

In accordance with Article 76 of the Bank's Articles of Association, Mr. Wang Hongwei and Mr. Chai Woon Chew, Michael retire but being eligible, offers themselves for re-election.

**DIRECTORS' INTERESTS IN SHARES**

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares of the Bank and its related corporations.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During and at the end of the financial year, no Director of the Bank has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 23 of the financial statements and of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except certain Directors received remuneration from related corporations in their capacities as executives of those related corporations.

**HOLDING COMPANIES**

The holding company of the Bank is Bank of China Limited, whereas the ultimate holding company is China Investment Corporation, both of which were incorporated in China.

## **BANK OF CHINA (MALAYSIA) BERHAD**

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### **DIRECTORS' REPORT (CONTINUED)**

#### **BUSINESS REVIEW 2014**

In 2014, the Bank increased its efforts to put high-quality credit assets business in order to adapt to market changes, and actively optimise the capital structure, and flexible adjustment of the currency by strengthen the growth of revenue. The Bank aggressively promoted trade finance business to attract foreign investment to seize the momentum of good development opportunities. The Bank's capital was significantly enhanced as a result of receipt of capital injection during the year, hence increasing local single customer credit limit substantially.

#### **ECONOMIC OUTLOOK FOR 2015**

Malaysia's gross domestic product ("GDP") is projected to be moderate, depending on the magnitude of fluctuation in crude oil prices and movements of the ringgit exchange rate against currencies of Malaysia major trading partners. Ringgit depreciation will definitely improve export competitiveness. Trade balance is expected to improve, albeit with a time lag and foreign direct investment (FDI) could possibly accelerate further, taking advantage of lower costs of doing business in the country. Besides, the introduction of Goods And Service Tax (GST) at 6% in 2015 would accelerate fiscal consolidation and allow for a reduction in government debt. The Government is confident that the exchange rate and the weakening of crude oil's prices will adjust to reflect the strong economic fundamentals over time.

#### **RATINGS BY EXTERNAL RATING AGENCY**

The Bank is not rated by any external agency.

#### **DIRECTORS' PROFILES**

##### **Zheng Weiping - Chairman, Non-Independent Non-Executive Director**

Mdm. Zheng Weiping, Chinese Citizen, aged 62, was appointed to the Board in year 2012 as Chairman of the Bank, representing Bank of China Limited. She completed her studies in International Finance in year 1986 at The People's University of China (Renmin University of China).

Mdm. Zheng started her career as an officer at Bank of China Limited and she was responsible for the non-trade foreign exchange rate and interest rate management. In the progress of the transformation of Bank of China Limited from a specialist foreign exchange bank into state-owned commercial bank, she had actively participated in deposit related business development and Asset and Liability Management. She was promoted as the Manager/Deputy General Manager of Planning and Co-ordination Department in year 1986 and 1997, respectively. She was in charge of the Product Management Division which focuses on deposit management, business impact analysis and market risk management. The department had undergone restructuring in 1997 and she was assigned the role of Deputy General Manager of Asset and Liability Department, responsible for the business strategic planning, product management and market risk management. In addition, she also assumed the Chief Secretary role of the Interest Rate Committee at The Association of Banks in China.

Mdm. Zheng was transferred to Bank of China Ltd, Singapore Branch in 2004 as a Deputy General Manager to oversee Retail Banking, Treasury Department and all sub-branches in Singapore.

Mdm. Zheng was appointed as the Director to the Board of Directors of Bank of China Nominee (Pte) Ltd in 2007.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' PROFILES (CONTINUED)**

**Datuk Ter Leong Yap – Independent Non-Executive Director**

Datuk Ter Leong Yap, Malaysian, aged 51, was appointed to the Board in year 2010 as an Independent Non-Executive Director of the Bank. He has no family relationship with any director of the Bank. He graduated from University of Malaya with a Bachelor degree in Mechanical Engineering.

Datuk Ter is the Executive Chairman and founder of Sunsuria Group of Companies and Top-Mech Group of Companies. In 1997, Top-Mech was awarded Pioneer Status by the Malaysian Government for becoming the first manufacturer of hoist and lifting equipment in Malaysia.

Datuk Ter is also actively involved in social work. Currently, he is the President of Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor, Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ('ACCCIM'), Chairman of Socio Economic Research Committee of ACCCIM, Honorary Member, Malaysia-China Business Council and Committee Member of REHDA. He is also the Malaysia's representative for Malaysia-Singapore Business Council as well as the Honorary President of Young Malaysians Movement Malaysia. In addition, he also sits in the Board of School Directors as Vice Chairman, Board of Directors of Hin Hua High School Klang, Director of Kuen Cheng High School Kuala Lumpur and Director of Pin Hwa High School Klang. He has been appointed as a Director to the Board of Directors of University Kebangsaan Malaysia.

In 2002, Datuk Ter was conferred the AMN honour by the Yang Dipertuan Agong for his contributions to the society. In 2008, he was awarded the Top Best 50 Outstanding Malaysian Hokkien Award and awarded 'Business Excellence Person of the year' by Sin Chew Business Excellence Award 2014.

In 2011, he was conferred the Panglima Jasa Negara (P.J.N), by His Majesty, Yang Di-Pertuan Agong Tuanku Mizan Zainal Abidin.

His other directorships in public company is with Sunsuria Berhad.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' PROFILES (CONTINUED)**

**Liu Lijing – Non-Independent Non-Executive Director**

Mdm. Liu Lijing, Chinese Citizen, aged 60 was appointed to the Board in 2012 as a Non-Executive Director representing Bank of China Limited. She has obtained her degree from the University of International Business and Economics, Beijing in January 1978.

Mdm. Liu joined Bank of China Limited immediately after she graduated from the university. She started her career as an executive at the Institute of International Finance Research Division, Head Office, Bank of China Limited for America and Asia regions. She was in this Division for nine years performing international finance and economic study and research for Asia and Japan.

She was transferred to Bank of China, Tokyo Branch in 1987 and was involved in international trade finance operations and was transferred back to the Institute of International Finance Research Division, Head Office, Bank of China Ltd for America and Asia Region Department after a year. She was promoted to the position of Deputy Head of the said department and subsequently Head of the Department, responsible for the analysis of the economic conditions and market trend of Asia and Japan to provide support in business strategies planning, projecting future economic trend movements and overall management of the department.

In December 1992, Mdm Liu was transferred to Japan, Osaka Branch as Head of Personal Banking Department and Deputy Branch Manager responsible for the personal banking business development and overall management of the branch.

In 1997, Mdm Liu was assigned the role of Deputy Director of the Institute of International Finance Research Division, Head Office, Bank of China Limited, responsible for international finance and economic research for Asia and Japan and the other administrative work of the Institution. She was in this position for eight years before her next posting.

She was transferred to Japan, Tokyo Branch in March 2005 as the Deputy General Manager of Tokyo Branch. She headed various job functions including International Trade Finance, Interbank Clearing, Marketing, Internal Audit, Risk Management and Legal and Compliance.

**Chai Woon Chew, Michael – Independent Non-Executive Director**

Mr Michael Chai, Malaysian, aged 57, is a lawyer and was appointed to the Board in year 2012 as an Independent Non-Executive Director of the Bank. He has no family relationship with any director of the Bank. He holds a Bachelor of Law (Hons) degree from the University of Surrey, United Kingdom and is a Barrister-at-Law at Lincoln's Inn London, United Kingdom.

He was admitted to the Higher Court of Malaya as an Advocate and Solicitor. He is currently the chief executive partner of Messrs. Michael Chai Ken (formerly known as Michael Chai & Co), a legal firm in Kuala Lumpur.

Mr Chai is also actively involved in social work. Currently, he is the Chairman for the Legal Affairs Committee of the Association of Chinese Chambers of Commerce and Industry of Malaysia. He has also assumed important roles in other associations.

Mr Chai was conferred the K.M.N and J.M.W. both honour by Yang Dipertuan Agong for his contributions to the society.

His other directorships in public company is with KKB Engineering Berhad.



**BANK OF CHINA (MALAYSIA) BERHAD**  
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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' PROFILES (CONTINUED)**

**Wang Hongwei – Non-Independent Executive Director/Chief Executive Officer**

Mr. Wang Hongwei, Chinese Citizen, aged 52, was appointed to the Board in year 2013 as an Executive Director representing Bank of China Limited. He obtained his MBA from Dongbei University of Finance and Economics in June 2004.

He started his career with Bank of China, Dalian Branch, International Trade Settlement Division in December 1983. Since then, he has held various positions at the Branch and was promoted to Director General of the Division in October 1997.

In 1999, Mr. Wang was transferred to Bank of China, London Branch as Manager of Trade Financing Department for 4 years. He was transferred to Bank of China Liaoning Branch as Deputy General Manager of Corporate Business Division in 2003. Mr. Wang was assigned the role of General Manager of Electronic Bank Department, Bank of China, Liaoning Branch in 2005. He was in this position for 2 years before his appointment as the General Manager of Bank of China, Yingkou Branch in 2007.

He was transferred to Bank of China (Zambia) Limited in February 2010 as the General Manager (CEO). Mr. Wang has been appointed as CEO of Bank of China (Malaysia) Berhad since January 2013.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT**

**BOARD OF DIRECTORS**

Adherence to the highest standards of corporate governance continues to be the cornerstone of the Bank's corporate culture.

**Roles and Responsibilities of the Board of Directors**

The Board of Directors of the Bank plays a critical role in ensuring sound and prudent policies and practices of the Bank. The Board carries ultimate responsibility for the proper stewardship of the Bank, ensures maximisation of shareholder's value and safeguarding the stakeholders' interests. It needs to oversee the affairs, establishing, amongst others, the corporate values, vision and strategy that will direct the activities of the Bank. It also provides effective check and balance mechanism in the overall management of the Bank.

The major duties and responsibilities of the Board include:

1. Review and approve strategies, business plans and significant policies and monitor management's performance in implementing them;
2. Review, approve and monitor the overall risk strategy of the Bank, risk appetite framework, risk management strategies, risk management framework and policies to ensure that they are able to support the Bank's business expansion;
3. Prescribes minimum standards and establishes policies on the management of credit risks and other key areas of the Bank's operations;
4. Regular oversight of the Bank's business operations and performance, and ensuring that the infrastructure, internal controls, and risk management processes are well in place to assess and manage business risks. The Board carries out various functions and responsibilities laid down by Bank Negara Malaysia ('BNM') in the guidelines and directives issued from time to time.
5. Ensure reliable and transparent financial reporting process within the Bank and the integrity and credibility of financial statements of the Bank.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

**Board Meetings and Supply of Information to the Board**

Board meetings are held regularly, 6 times a year, whereby reports on the progress of the Bank's business operations and minutes of the meetings of Audit Committee and other committees set up by the Bank to oversee various risks undertaken are tabled for review by Members of the Board. The Board meetings are convened to review and approve the Bank's quarterly financial statements, deliberate on the performance of the Bank and to provide policy direction and guidance for the management.

The agenda for every Board meeting, together with Management reports, proposal papers and supporting documents, are furnished to all the Members of the Board for their perusal well in advance of the Board meeting date, so that the Directors have ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision making by the Directors.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of minutes at the following Board meeting.

The Directors are regularly updated and advised by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors, including policy guidelines issued by BNM that concern the Bank or the discharge of their duties as Directors of a financial institution. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretary and the Directors have the liberty to seek external professional advice if so required by them.

The attendance of the Board of Directors' meetings held during 2014 is as follows:

| <b>Composition of Board of Director</b>                           | <b>Number of Board Meetings</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>Held</b>                     | <b>Attended</b> |
| Datuk Ter Leong Yap<br>Independent Non-Executive Director         | 6                               | 6               |
| Zheng Weiping<br>Chairman/ Non-Independent Non-Executive Director | 6                               | 6               |
| Liu Lijing<br>Non-Independent Non-Executive Director              | 6                               | 6               |
| Chai Woon Chew, Michael<br>Independent Non-Executive Director     | 6                               | 6               |
| Wang Hong Wei<br>Non-Independent Executive Director               | 6                               | 6               |

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Effectiveness of the Board of Directors (Continued)

1. Division of Responsibilities Between the Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer ('CEO') are distinct and separate, with each having her and his respective scope of duties and responsibilities, to ensure a proper balance of power and authority.

The Chairman of the Board is a Non-Executive Director and her main responsibility is to lead and manage the work of the Board in order to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Together with the rest of the Non-Executive and Independent Directors, she leads the discussions on the strategies and policies recommended by the Management.

The responsibilities for the day-to-day management of the Bank rest with the CEO. He is accountable for leading the management team, implementing the policies or decisions approved by the Board. He is also responsible for charting the future direction of the Bank for the Board's consideration and approval.

The Board considers and approves a set of expectations on the CEO. This subsequently acts as a yardstick against which his performance will be measured, evaluated and rewarded.

2. Composition of the Board

The Board currently comprises personnel with differing expertise and of high standing in the society. The Board comprises 5 members, of whom one is Executive Director, and 2 out of 4 Non-Executive Directors are independent as defined under BNM Guidelines on Corporate Governance for Licensed Institutions.

There is effective check and balance on the Board, with four-fifth of the Board Members being Non-Executive Directors and the Independent Directors consisted of more than one-third of the Board members.

3. Appointments to the Board

The proposed appointment of new member(s) of the Board or the re-election of Directors at the General Meeting of the Bank, are assessed and recommended by the Board and approved by the holding company before the application on the proposed appointment is submitted to BNM for approval. The selection criteria with regard to the desired candidate encompass the combination of competencies, the minimum qualifications specified by regulatory authorities and relevant experience.

The Board of Directors has a broad range of skills and credentials. Each brings a high degree of independent judgement and knowledge to the Board's discussions. They are individuals of high calibre and social standing with backgrounds in business, banking, law, accounting and economics.

One-third of the Directors for the time being must retire at each Annual General Meeting ('AGM') and if eligible, may offer themselves for re-election. The profiles of the members of the Board are set out on pages 4 to 7 of the Report.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Effectiveness of the Board of Directors (Continued)

4. Directors' Performance and Remuneration

The holding company will carry out assessment on the performance of the Board annually. The members of the Board will be assessed based on the specific criteria set as well as the performance assessment of the Bank as a whole. At the same time, an annual assessment of individual directors, Board as a whole and Board Committees will be carried out by the Bank.

The Board will recommend on the policies and framework in relation to rewards and benefits of Directors to the holding company for approval.

The Independent Directors who had served for the financial year are paid annual directors' fee with the shareholder's approval at the AGM.

The appointment, compensation and benefits of the CEO will be assessed by the holding company and the Board based on the qualification, experience and achievement of targets set.

5. Induction and Training

The newly appointed Directors will receive in-house orientation and education programmes to assist them to familiarise with the industry and the Bank within 3 months of the appointment. The programmes should cover at a minimum the nature of business, the corporate strategy of the Bank, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, the risk management strategy of the Bank, legal requirements and financial overview of the Bank.

The Bank and the holding company would ensure that all Directors receive continuous training in order to keep abreast with latest developments in the industry, particularly on relevant new laws, regulations and the changing risk factors from time to time.

**INFORMATION ON COMMITTEES OF THE BANK**

The Board has established Board Committees as well as various Management Committees to assist the Board in the running of the Bank.

The Board Committee and Management Committees in the Bank are as follows:

**Board Committees**

- Audit Committee
- Board Risk Committee
- Board Nominating Committee
- Board Remuneration Committee

**Management Committees**

- Management Committee
- Assets and Liabilities Management Committee
- Risk Management and Internal Control Committee
- Business Development Committee
- Credit Evaluation Panel
- Information technology Steering Committee
- Bulk Purchase management procurement Committee

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

The roles and responsibilities of the Board Committees are as follows:

1. Audit Committee

The Board has approved the establishment of Audit Committee and its terms of reference.

(a) Membership and Attendance

The Audit Committee ('AC') comprises the following members and details of attendance of each member at the AC meetings held during 2014 are as follows:

| Composition of Audit Committee  | Number of AC Meetings |          |
|---|-----------------------|----------|
|   | Held                  | Attended |
| Chai Woon Chew, Michael<br>Chairman/Member/Independent Non-Executive Director | 6                     | 6        |
| Datuk Ter Leong Yap<br>Member/Independent Non-Executive Director              | 6                     | 5        |
| Liu Lijing<br>Member/Non-Independent Non-Executive Director                   | 6                     | 6        |

(b) Composition and Terms of Reference

The AC shall comprise only Non-Executive Directors with at least (3) three members of Board of Directors, of which the majority should be Independent Directors. At least one member should have accounting expertise or experience in the field of finance.

The AC members shall elect a Chairman among them who is an Independent Non-Executive Director.

A minimum of (4) four meetings per year are planned although meetings may be called at any time at the Chairman's discretion. Meeting includes by way of physical presence and telephone/video conferencing.

The quorum shall be not less than (2) two.

(c) Roles and Responsibilities

The AC is given full authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive director to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC should have full and unrestricted access to information and be able to obtain independent professional advice.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)**

1. Audit Committee (Continued)

(d) Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- (i) The AC reviews internal control issues identified by the Internal Audit Department, the external auditors, regulatory authorities, the auditors from the holding company and the management, and evaluates the adequacy and effectiveness of the internal control systems. The minutes of the AC meetings are tabled to the Board of the Bank on a periodic basis;
- (ii) The Internal Audit Department of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. The frequency of the audit is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of the departments. The annual audit plan is reviewed and approved by the AC and the findings of the audits are submitted to the AC for review at their periodic meetings.

2. Board Risk Committee

The Board has approved the establishment of Board Risk Committee and its terms of reference.

(a) Membership and Attendance

The Board Risk Committee ('BRC') comprises the following members and details of attendance of each member at the BRC meetings held during 2014 are as follows:

| <b>Composition of Board Risk Committee</b>                                    | <b>Number of Meetings</b> |                 |
|---|---------------------------|-----------------|
|   | <b>Held</b>               | <b>Attended</b> |
| Chai Woon Chew, Michael<br>Chairman/Member/Independent Non-Executive Director | 6                         | 6               |
| Datuk Ter Leong Yap<br>Member/Independent Non-Executive Director              | 6                         | 6               |
| Liu Lijing<br>Member/Non-Independent Non-Executive Director                   | 6                         | 6               |

(b) Composition and Terms of Reference

The BRC shall comprise only non-executive directors with at least 3 members. The committee shall be chaired by an independent director.

The committee shall hold regular meetings, at least once every quarter and should report regularly to the Board.

The quorum shall be three (3) persons.

**BANK OF CHINA (MALAYSIA) BERHAD**

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**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

2. Board Risk Committee (Continued)

(c) Objective

The objective of BRC is to oversee the senior's management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the integrated risk management functions within the Bank is in place and effectively discharged.

(d) Roles and responsibilities

The BRC shall be responsible, but are not limited, to the following:

- (i) reviewing and recommending risk management strategies, policies, risk appetite and risk tolerance for board's approval;
- (ii) reviewing and assessing adequacy of risk management policies and framework including ICAAP and Risk Appetite, Credit Risk, Operational Risk Market Risk and Compliance in identifying, measuring, monitoring and controlling risk and to the extent to which these are operating effectively;
- (iii) ensuring infrastructure, resources and systems are in place for risk management that is, enduring that the staff responsible for implementing risk management systems perform those duties independently of the bank's risk taking activities; and
- (iv) reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

3. Board Nominating Committee

(a) Membership and Attendance

Board Nominating Committee ('BNC') comprises the following members and details of attendance of each member at the BNC meetings held during 2014 are as follows:

| Composition of Board Nominating Committee                             | Number of BNC Meetings |          |
|---|------------------------|----------|
|   | Held                   | Attended |
| Datuk Ter Leong Yap<br>Chairman/Independent Non-Executive Director    | 6                      | 6        |
| Chai Woon Chew, Michael<br>Member/ Independent Non-Executive Director | 6                      | 6        |
| Liu Lijing<br>Member/Non-Independent Non-Executive Director           | 6                      | 6        |



**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)**

3. Board Nominating Committee (Continued)

(b) Composition

The BNC shall consist of a minimum of five (5) members. At least four (4) is non-executive directors. The committee is chaired by either the chairman of the board or an independent non-executive director. The Bank is currently in search of suitable candidates to join the BNC.

In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him.

Meeting to be held as and when required and the full committee meets at least once a year.

The quorum shall consist of at least three (3) persons comprising any of the Committee Chairman and Members.

(c) Objective

The objective of the committee is to provide a formal and transparent procedure for the appointment of directors and CEO as well as assessment of effectiveness of individual directors, board as a whole and performance of CEO and key senior management officers.

(d) Roles and responsibilities

The BNC shall be responsible for:

- (i) establishing the minimum requirements on the skills, knowledge, experience, qualifications and other core competencies of a Director and the CEO;
- (ii) assessing and recommending to the Board the nominees for appointment of Director, Board Committee member and CEO;
- (iii) assessing and recommending to the Board, the re-appointment of Director/CEO upon expiry of their respective terms of appointment as approved by BNM;
- (iv) on an annual basis, reviewing the required mix of skills, experience and core competencies within the Board and make recommendations to the board with regards to any changes;

**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

3. Board Nominating Committee (Continued)

(d) Roles and responsibilities (Continued)

- (v) overseeing the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive director, non-executive directors and independent director through annual review;
- (vi) recommending to the Board the removal of a director or CEO from the board or management if the director or CEO is ineffective, errant and negligent in discharging his responsibilities;
- (vii) establishing a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the CEO. Annual assessment is conducted based on objective performance criteria. Such performance criteria is approved by the full board;
- (viii) review the results of the Board performance evaluation process;
- (ix) ensuring that all directors receive an appropriate continuous training programme in order to keep abreast with the least developments in the industry;
- (x) overseeing the appointment, management succession planning and performance evaluation of key senior management officers;
- (xi) recommending to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- (xii) assessing on an annual basis, to ensure that the directors and key senior management officers are not disqualified under Section 59(1) of the Financial and Services Act ('FSA') 2013.

4. Board Remuneration Committee

(a) Membership and Attendance

Board Remuneration Committee ('BRC') comprises the following members and details of attendance of each member at the BRC meetings held during 2014 are as follows:

| Composition of Board Remuneration Committee                          | Number of Meetings |          |
|--|--------------------|----------|
|  | Held               | Attended |
| Datuk Ter Leong Yap<br>Chairman/Independent Non-Executive Director   | 3                  | 3        |
| Chai Woon Chew, Michael<br>Member/Independent Non-Executive Director | 3                  | 3        |
| Liu Lijing<br>Member/Non-Independent Non-Executive Director          | 3                  | 3        |

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

4. Board Remuneration Committee (Continued)

(b) Composition

The BRC comprises at least 3 members of non-executive directors and chaired by an independent director. In order to avoid conflict of interest, a member of the committee is to abstain from participating in discussions and decisions on matters involving him.

The full committee meets at least once a year to review the remuneration packages of the directors, CEOs and key senior management officers.

(c) Objective

The objective of the BRC is to provide a formal and transparent procedure for developing remuneration policy for directors, Chief Executive Officer, and key senior management officers (which includes Deputy Chief Executive Officer and Assistant Chief Executive Officer) and to ensure that compensation is competitive and consistent with the Bank culture, objectives and strategy.

(d) Roles and responsibilities

The BRC is responsible for:

- (i) recommending a framework and developing a clear policy of remuneration for directors, CEO and key senior management officers for the full Board's approval;
- (ii) determining the balance of remuneration package, which should be sufficient to attract and retain directors of caliber, and yet not excessive to the extent the Bank's funds are used to subsidize the excessive remuneration package. The framework covers all aspects of remuneration such as the remuneration and employment conditions of the industry including director's fees, salaries, allowances, bonuses, share options, benefits-in-kind ('BIK') and termination benefits;
- (iii) recommending specific remuneration packages for the CEO and key senior management officers;
- (iv) details of the remuneration (including benefits-in-kind) of the individual directors, CEO and key senior management officers are submitted together with the submission of the annual financial reports of the Bank to BNM.

**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

ACCOUNTABILITY AND AUDIT

Financial Reporting

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors for Bank Negara Malaysia's clearance prior to public release. A Statement of Responsibility by Directors in respect of preparing the annual audited financial statements of the Group and of the Bank is set out below in this report.

Internal Audit and Control

The Internal Audit reports functionally to the Audit Committee of the Bank. Its function is independent of the activities or operations of other operating units of the Bank and its subsidiary.

The Internal Audit function undertakes regular reviews of the Group's and of the Bank's operations and the systems of internal control. Regular reviews are performed on the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls. Significant risks and non-compliance impacting the Group and the Bank are highlighted and where applicable, recommendations are provided to improve on the effectiveness of risk management, internal control system and governance processes. Management follows through and reviews the status of actions on recommendations made by the internal auditors. Statuses of actions taken or to be taken by the Management are submitted to the Audit Committee for deliberation. Reviews by Internal Audit are carried out on units that are identified using risk-based approach taking into consideration input from the Management, Audit Committee and the Board of Directors.

The Audit Committee meets on a scheduled basis to review issues identified in audit reports prepared by Internal Audit and further evaluates the effectiveness and adequacy of the Group's and of the Bank's internal control system. The Audit Committee has active oversight on Internal Audit's independence, scope of work and resources. It also reviews the Internal Audit function, the scope of the annual audit plan and frequency of the internal audit activities. The Chief Internal Auditor attended the Audit Committee meetings to facilitate the deliberation of audit reports. The minutes of the Audit Committee meetings are subsequently tabled to the Board of Directors for information.

Related Party Transaction

The details of the transaction with holding companies, fellow subsidiaries, subsidiary, directors and key management are set out under Note 27 to the financial statements.

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

In the preparation of the financial statements of the Group and of the Bank, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's Guidelines on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

Company No. 511251-V

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 24 April 2015.

CHAI WOON CHEW, MICHAEL  
DIRECTOR

WANG HONGWEI  
DIRECTOR

Kuala Lumpur  
24 April 2015

**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

**PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Chai Woon Chew, Michael and Wang Hongwei, being two of the Directors of Bank of China (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 23 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In accordance with a resolution of the Board of Directors dated 24 April 2015.

CHAI WOON CHEW, MICHAEL  
DIRECTOR

WANG HONGWEI  
DIRECTOR

Kuala Lumpur  
24 April 2015

**STATUTORY DECLARATION**

**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, Yang Lixin, being the officer primarily responsible for the financial management of Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 23 to 108 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

YANG LIXIN

Subscribed and solemnly declared by the abovenamed Yang Lixin at Kuala Lumpur on 24 April 2015, before me.

COMMISSIONER FOR OATHS

511251-V

**Independent auditors' report to the member of  
Bank of China (Malaysia) Berhad  
(Incorporated in Malaysia)**

**Report on the financial statements**

We have audited the financial statements of Bank of China (Malaysia) Berhad, which comprise statements of financial position as at 31 December 2014 of the Group and of the Bank, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 108.

*Directors' responsibility for the financial statements*

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

511251-V

**Independent auditors' report to the member of  
Bank of China (Malaysia) Berhad (contd.)  
(Incorporated in Malaysia)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary have been properly kept in accordance with the provisions of the Act.
  
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
  
- (c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**Other matters**

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Chan Hooi Lam  
No. 2844/02/16(J)  
Chartered Accountant

Kuala Lumpur, Malaysia



**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

|  | Note | GROUP            |                  | BANK             |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| <b>ASSETS</b>  |      |                  |                  |                  |                  |
| Cash and short-term funds  | 2    | 3,609,580        | 4,463,675        | 3,605,813        | 4,461,023        |
| Deposits and placements with banks<br>and other financial institutions | 3    | 456,101          | 1,347,112        | 456,101          | 1,347,112        |
| Derivative assets  | 4    | 1,790            | 1,222            | 1,790            | 1,222            |
| Held-to-maturity securities  | 5    | 529,158          | 252,459          | 529,158          | 252,459          |
| Loans and advances   | 6    | 5,052,027        | 2,796,973        | 5,052,027        | 2,796,973        |
| Other assets   | 7    | 15,244           | 13,926           | 14,471           | 13,109           |
| Tax recoverable  |      | 8,296            | -                | 8,296            | -                |
| Deferred tax assets  | 8    | 3,627            | 3,580            | 3,627            | 3,503            |
| Statutory deposits with<br>Bank Negara Malaysia                        | 9    | 77,200           | 77,800           | 77,200           | 77,800           |
| Investment in a subsidiary   | 10   | -                | -                | 1,000            | 1,000            |
| Property and equipment   | 11   | 23,088           | 16,357           | 20,109           | 13,647           |
| Intangible assets  | 12   | 265              | 108              | 263              | 106              |
| <b>TOTAL ASSETS</b>  |      | <b>9,776,376</b> | <b>8,973,212</b> | <b>9,769,855</b> | <b>8,967,954</b> |
| <b>LIABILITIES AND EQUITY</b>  |      |                  |                  |                  |                  |
| Deposits from customers  | 13   | 4,718,644        | 3,205,471        | 4,727,376        | 3,213,514        |
| Deposits and placements of banks<br>and other financial institutions   | 14   | 3,909,004        | 5,073,592        | 3,909,004        | 5,073,592        |
| Derivative liabilities   | 4    | 1,806            | 712              | 1,806            | 712              |
| Other liabilities  | 15   | 67,165           | 175,624          | 65,028           | 173,139          |
| Provision for taxation   |      | 527              | 1,434            | -                | 961              |
| Deferred tax liabilities   | 8    | 30               | -                | -                | -                |
| <b>TOTAL LIABILITIES</b>   |      | <b>8,697,176</b> | <b>8,456,833</b> | <b>8,703,214</b> | <b>8,461,918</b> |
| Share capital  | 16   | 760,518          | 304,000          | 760,518          | 304,000          |
| Reserves   | 17   | 318,682          | 212,379          | 306,123          | 202,036          |
| <b>TOTAL EQUITY</b>  |      | <b>1,079,200</b> | <b>516,379</b>   | <b>1,066,641</b> | <b>506,036</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                    |      | <b>9,776,376</b> | <b>8,973,212</b> | <b>9,769,855</b> | <b>8,967,954</b> |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                   | 29   | <b>4,137,054</b> | <b>2,601,513</b> | <b>4,137,054</b> | <b>2,601,513</b> |

Company No.  
511251-V

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

|  | Note | GROUP            |                  | BANK             |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Operating revenue  | 18   | <u>489,392</u>   | <u>298,797</u>   | <u>478,207</u>   | <u>286,170</u>   |
| Interest income  | 19   | 428,905          | 256,288          | 428,905          | 256,288          |
| Interest expense   | 20   | <u>(261,324)</u> | <u>(157,323)</u> | <u>(261,324)</u> | <u>(157,323)</u> |
| Net interest income  |      | 167,581          | 98,965           | 167,581          | 98,965           |
| Other operating income   | 21   | 60,487           | 42,509           | 49,302           | 29,882           |
| Other operating expenses   | 22   | <u>(76,353)</u>  | <u>(56,244)</u>  | <u>(71,460)</u>  | <u>(50,766)</u>  |
| Operating profit before allowance<br>and advances  | 24   | <u>(1,156)</u>   | <u>(5,145)</u>   | <u>(1,156)</u>   | <u>(5,145)</u>   |
| Profit before taxation   |      | 150,559          | 80,085           | 144,267          | 72,936           |
| Taxation   | 25   | <u>(44,256)</u>  | <u>(23,225)</u>  | <u>(40,180)</u>  | <u>(21,190)</u>  |
| Profit for the financial year, representing total<br>comprehensive income for the financial year |      | <u>106,303</u>   | <u>56,860</u>    | <u>104,087</u>   | <u>51,746</u>    |
| Earnings per share<br>- Basic/fully diluted (sen)  | 26   | <u>24.35</u>     | <u>18.70</u>     |                  |                  |

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

| <u>GROUP</u>                            | Share          | Non-           | Distributable  | <u>Total</u>     |
|---|----------------|----------------|----------------|------------------|
|   | <u>capital</u> | distributable  | retained       |                  |
|   | RM'000         | statutory      | profits        | RM'000           |
|   |                | reserve        | RM'000         | RM'000           |
| At 1 January 2014                       | 304,000        | 119,561        | 92,818         | 516,379          |
| Total comprehensive income for the year | -              | -              | 106,303        | 106,303          |
| Issue of share capital                  | 456,518        | -              | -              | 456,518          |
| Transfer to statutory reserve           | -              | 52,044         | (52,044)       | -                |
| At 31 December 2014                     | <u>760,518</u> | <u>171,605</u> | <u>147,077</u> | <u>1,079,200</u> |
| At 1 January 2013                       | 304,000        | 93,688         | 61,831         | 459,519          |
| Total comprehensive income for the year | -              | -              | 56,860         | 56,860           |
| Transfer to statutory reserve           | -              | 25,873         | (25,873)       | -                |
| At 31 December 2013                     | <u>304,000</u> | <u>119,561</u> | <u>92,818</u>  | <u>516,379</u>   |

  

| <u>BANK</u>                             | Share          | Non-           | Distributable  | <u>Total</u>     |
|---|----------------|----------------|----------------|------------------|
|   | <u>capital</u> | distributable  | retained       |                  |
|   | RM'000         | statutory      | profits        | RM'000           |
|   |                | reserve        | RM'000         | RM'000           |
| At 1 January 2014                       | 304,000        | 119,561        | 82,475         | 506,036          |
| Total comprehensive income for the year | -              | -              | 104,087        | 104,087          |
| Issue of share capital                  | 456,518        | -              | -              | 456,518          |
| Transfer to statutory reserve           | -              | 52,044         | (52,044)       | -                |
| At 31 December 2014                     | <u>760,518</u> | <u>171,605</u> | <u>134,518</u> | <u>1,066,641</u> |
| At 1 January 2013                       | 304,000        | 93,688         | 56,602         | 454,290          |
| Total comprehensive income for the year | -              | -              | 51,746         | 51,746           |
| Transfer to statutory reserve           | -              | 25,873         | (25,873)       | -                |
| At 31 December 2013                     | <u>304,000</u> | <u>119,561</u> | <u>82,475</u>  | <u>506,036</u>   |

**BANK OF CHINA (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

|  | Note | GROUP          |                | BANK           |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                            |      |                |                |                |                |
| Profit before taxation   |      | 150,559        | 80,085         | 144,267        | 72,936         |
| Adjustments for:   |      |                |                |                |                |
| Depreciation of property and equipment                                 | 22   | 4,408          | 1,989          | 4,145          | 1,801          |
| Amortisation of intangible assets                                      | 22   | 117            | 107            | 117            | 106            |
| Amortisation of premium less accretion<br>of discount                  | 19   | 222            | 249            | 222            | 249            |
| Allowance for impairment on loans<br>and advances                      | 24   | 1,156          | 5,145          | 1,156          | 5,145          |
| Interest income from held-to-maturity<br>securities                    | 19   | (8,923)        | (4,859)        | (8,923)        | (4,859)        |
| Unrealised foreign exchange gain                                       | 21   | (3,744)        | (4,457)        | (3,744)        | (4,457)        |
| Net loss/(gain) on revaluation of derivatives                          | 21   | 526            | (747)          | 526            | (747)          |
| Dividend income from subsidiary  | 21   | -              | -              | (10,000)       | -              |
| Property and equipment written-off                                     | 22   | 1              | 614            | 1              | -              |
| Operating profit before changes in<br>operating assets and liabilities |      | 144,322        | 78,126         | 127,767        | 70,174         |
| <b>(INCREASE)/DECREASE IN OPERATING ASSETS</b>                         |      |                |                |                |                |
| Deposits and placements with banks<br>and other financial institutions |      | 891,011        | (782,563)      | 891,011        | (782,563)      |
| Loans and advances   |      | (2,256,210)    | (856,977)      | (2,256,210)    | (856,977)      |
| Other assets   |      | 2,426          | 8,657          | 2,382          | 9,048          |
| Statutory deposits with Bank Negara Malaysia                           |      | 600            | (37,600)       | 600            | (37,600)       |
| <b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>                    |      |                |                |                |                |
| Deposits from customers  |      | 1,513,173      | 1,006,904      | 1,513,862      | 1,009,225      |
| Deposits and placements of banks<br>and other financial institutions   |      | (1,164,588)    | 3,224,856      | (1,164,588)    | 3,224,856      |
| Other liabilities  |      | (108,459)      | 107,926        | (108,111)      | 106,744        |
| Cash (used in)/generated from<br>operating activities                  |      | (977,725)      | 2,749,329      | (993,287)      | 2,742,907      |
| Taxes paid   |      | (53,476)       | (17,096)       | (49,561)       | (15,805)       |
| Net cash (used in)/generated from<br>operating activities              |      | (1,031,201)    | 2,732,233      | (1,042,848)    | 2,727,102      |

**BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTD.)**

|   | Note     | <u>GROUP</u>                   |                                | <u>BANK</u>                    |                                |
|---|----------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   |          | 2014<br>RM'000                 | 2013<br>RM'000                 | 2014<br>RM'000                 | 2013<br>RM'000                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |          |                                |                                |                                |                                |
| Dividend income received from subsidiary  |          | -                              | -                              | 10,000                         | -                              |
| Purchase of property and equipment  | 11       | (11,390)                       | (11,308)                       | (10,858)                       | (8,685)                        |
| Purchase of intangible assets   | 12       | (24)                           | (3)                            | (24)                           | -                              |
| Purchase of held-to-maturity securities   |          | (709,047)                      | (506,680)                      | (709,047)                      | (506,680)                      |
| Proceeds from maturity of held-to-maturity securities                                       |          | 435,000                        | 317,000                        | 435,000                        | 317,000                        |
| Interest received on held-to-maturity securities  |          | 6,049                          | 2,988                          | 6,049                          | 2,988                          |
| Net cash used in investing activities   |          | <u>(279,412)</u>               | <u>(198,003)</u>               | <u>(268,880)</u>               | <u>(195,377)</u>               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |          |                                |                                |                                |                                |
| Proceeds from issuance of shares, representing net cash generated from financing activities |          | <u>456,518</u>                 | <u>-</u>                       | <u>456,518</u>                 | <u>-</u>                       |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>       |          | <b>(854,095)</b>               | <b>2,534,230</b>               | <b>(855,210)</b>               | <b>2,531,725</b>               |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>                         |          | <b><u>4,463,675</u></b>        | <b><u>1,929,445</u></b>        | <b><u>4,461,023</u></b>        | <b><u>1,929,298</u></b>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>                               | <b>2</b> | <b><u><u>3,609,580</u></u></b> | <b><u><u>4,463,675</u></u></b> | <b><u><u>3,605,813</u></u></b> | <b><u><u>4,461,023</u></u></b> |

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
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The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2014, the Group and the Bank adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

| <b>Description</b>   | <b>Effective for annual periods beginning on or after</b> |
|--|---|
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities        | 1 January 2014  |
| Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities                     | 1 January 2014  |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets      | 1 January 2014  |
| Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014  |
| IC Interpretation 21 Levies  | 1 January 2014  |

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and of the Bank.

**BANK OF CHINA (MALAYSIA) BERHAD**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Bank's financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

| Description   | Effective for annual periods beginning on or after |
|---|--|
| Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions   | 1 July 2014  |
| Annual Improvements to MFRSs 2010 – 2012 Cycle  | 1 July 2014  |
| Annual Improvements to MFRSs 2011 – 2013 Cycle  | 1 July 2014  |
| Annual Improvements to MFRSs 2012 – 2014 Cycle  | 1 January 2016                                     |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation                 | 1 January 2016                                     |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants   | 1 January 2016                                     |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 January 2016                                     |
| Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations                                       | 1 January 2016                                     |
| Amendments to MFRS 127: Equity Method in Separate Financial Statements  | 1 January 2016                                     |
| Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception                    | 1 January 2016                                     |
| MFRS 14 Regulatory Deferral Accounts  | 1 January 2016                                     |
| MFRS 15 Revenue from Contracts with Customers   | 1 January 2017                                     |
| MFRS 9 Financial Instruments  | 1 January 2018                                     |

**Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

**Amendments to MFRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

**Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

**Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception**

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

**MFRS 9 Financial Instruments**

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.



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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

**Annual Improvements to MFRSs 2010–2012 Cycle**

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below:

**a) MFRS 2 Share-based Payment**

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

**b) MFRS 3 Business Combinations**

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

**c) MFRS 8 Operating Segments**

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

**BANK OF CHINA (MALAYSIA) BERHAD**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

**Annual Improvements to MFRSs 2010–2012 Cycle (continued)**

**d) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets**

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

**e) MFRS 124 Related Party Disclosures**

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

**Annual Improvements to MFRSs 2011–2013 Cycle**

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below.

**a) MFRS 3 Business Combinations**

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

**b) MFRS 13 Fair Value Measurement**

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

**c) MFRS 140 Investment Property**

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of MFRS 140; and
- transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

**Annual Improvements to MFRSs 2012–2014 Cycle**

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below.

**a) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

**b) MFRS 7 Financial Instruments: Disclosures**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

**c) MFRS 119 Employee Benefits**

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

**d) MFRS 134 Interim Financial Reporting**

MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

Unless otherwise disclosed, 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**B BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements is prepared for the same reporting date as the Bank. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Bank controls an investee if and only if the Bank has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting rights of an investee, the Bank considers the following in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Bank, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary is consolidated when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

**BANK OF CHINA (MALAYSIA) BERHAD**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

B BASIS OF CONSOLIDATION (CONTINUED)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for recognition and measurement of impairment loss on goodwill is set out in Note G below.

Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Bank's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

C PROPERTY AND EQUIPMENT

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.

Depreciation of property and equipment is calculated to write-down the costs of the property and equipment, or their revalued amounts, to their residual values on a straight line basis over their estimated useful lives as follows:

|                    |                |
|--------------------|----------------|
| Computer equipment | 2.5 to 3 years |
| Motor vehicles     | 6 years        |
| Office equipment   | 5 to 7 years   |
| Renovation         | 5 years        |
| Buildings          | 35 years       |

Depreciation on work-in-progress commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

At each reporting date, the Group and the Bank assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. See Note G in summary of significant accounting policies on impairment of non-financial assets.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

D INTANGIBLE ASSETS

Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

E FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify financial assets into financial assets at fair value through profit or loss, available-for-sale securities, loans and receivables and held-to-maturity securities. The classification depends on the purpose for which the financial assets were required. Management determines the classification of the financial assets at initial recognition, at the point when the transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

(iii) Held-to-maturity

Held-to-maturity ('HTM') are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intention and ability to hold to maturity. If the Group or the Bank were to sell other than an insignificant amount of financial investments HTM, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale ('AFS') financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories, and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised in equity, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.

**BANK OF CHINA (MALAYSIA) BERHAD**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

E FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date that an asset is delivered to or by the Group and the Bank.

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as fair value through profit and loss, transaction costs are expensed off.

(c) Subsequent measurement

AFS financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note F) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Dividend income on AFS equity instruments are recognised separately in profit or loss when the right to receive payment is established.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the asset have expired or have been transferred and either:

- (i) substantially all risks and rewards of ownership have been transferred; or
- (ii) substantially all the risks and rewards of the asset have neither been transferred nor retained, but control of asset has been transferred.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

F IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.



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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

F IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

The criteria that the Group and the Bank uses to determine that there is objective evidence of an impairment loss include:

- Repayment of interest and/or principal is past due for more than 3 months;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group or the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(a) Assets carried at amortised cost

Loans and advances

The Group and the Bank first assess whether objective evidence of impairment exists individually for all loans and advances.

If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed loans and advances, or loans and advances that have been individually evaluated, but not considered to be individually impaired, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan and advances' carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the loan and advances is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If the loan and advances has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets that have not been individually assessed are grouped together for portfolio impairment assessment. These loans are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being assessed. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

F IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (Continued)

Loans and advances (Continued)

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in debtor's credit rating, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Where a loan and advances is uncollectible, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loan are classified in "impairment losses on loans and advances". Recoveries in full or in part of amounts previously written off are credited to profit or loss in "impairment losses on loans and advances".

Held-to-maturity

If there is objective evidence that an impairment loss on HTM securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a HTM security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised such as an improvement in debtor's credit rating, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(b) Assets carried at fair value

When a decline in fair value of AFS securities has been recognised directly in equity and there is objective evidence that the security is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the security has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that security previously recognised in profit or loss.

If, in subsequent periods, the fair value of a debts instrument classified as AFS increase and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, that portion of impairment loss is reversed through profit or loss. For equity instruments, no reversal of impairment loss through profit or loss is allowed when there is an increase in fair value of the equity instrument in subsequent period.

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**G IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units).

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount, other than goodwill, is recognised in profit or loss unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

**H CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of change in value.

**I FINANCIAL LIABILITIES**

The Group's and the Bank's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities at fair value through profit or loss are subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss.

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I FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category. Financial liabilities measured at amortised cost are deposits from banks or customers and bills and acceptances payable.

Bills and acceptance payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

Financial liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised costs using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

J FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the fair value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with MFRS 118 *Revenue*, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

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**K LEASE**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Finance leases

Leases of assets where the Group and the Bank have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group and of the Bank in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(b) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

**L PROVISIONS**

Provisions, other than provision for bad and doubtful debts, are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

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M DIVIDENDS PAYABLE

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividend is established.

N CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

O RECOGNITION OF INTEREST INCOME

Interest income is recognised on an accrual basis using the effective interest method. Interest income on housing loans and term loans is recognised by reference to monthly rest periods.

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned/accrued and accretion/amortisation of discount/premium on these securities.

Dividend income is recognised when the right to receive payment is established.

P RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Q CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group and the Bank operate (the 'functional currency'). The financial statements of the Group and the Bank are presented in Ringgit Malaysia, which is also the Bank's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

R INCOME TAX

Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits for the financial year.

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences principally arising from depreciation of property and equipment, amortisation of intangible assets and provision for other liabilities.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

S EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Post-employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to the defined contribution plan are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

T FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favorable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Financial instruments recognised in the statement of financial position

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy statements associated with each item.

The Group and the Bank are parties to financial instruments that comprise foreign currency forward contracts. These instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If hedge accounting is applied, the Group and the Bank designate certain derivatives as either:

Fair value hedge

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss to offset the value change on the hedging instrument.



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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
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T FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective are recorded in OCI and deferred in equity. The deferred gains or losses are released to the income statement when the hedged cash flow items affect profit or loss. The ineffective part of any gain or loss is recognised in profit or loss immediately.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in the equity are recycled to profit or loss when the foreign operation is partially disposed or sold.

Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, their changes in the fair values are recognised immediately in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**1. GENERAL INFORMATION**

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

The holding company of the Bank is Bank of China Limited, whereas the ultimate holding company is China Investment Corporation, both of which were incorporated in China.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is Mezzanine Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

**2. CASH AND SHORT-TERM FUNDS**

|  | <u>GROUP</u>     |                  | <u>BANK</u>      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Cash and balances with banks and other financial institutions  | 531,409          | 573,565          | 527,642          | 570,913          |
| Money at call and deposit placements maturing within one month | <u>3,078,171</u> | <u>3,890,110</u> | <u>3,078,171</u> | <u>3,890,110</u> |
|  | <u>3,609,580</u> | <u>4,463,675</u> | <u>3,605,813</u> | <u>4,461,023</u> |

**3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                | <u>GROUP AND BANK</u> |                  |
|----------------|-----------------------|------------------|
|                | 2014<br>RM'000        | 2013<br>RM'000   |
| Licensed banks | <u>456,101</u>        | <u>1,347,112</u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**4. DERIVATIVE ASSETS/(LIABILITIES)**

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted for proprietary trading purposes.

The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the reporting date are analysed below.

|                                    | <u>GROUP AND BANK</u>                              |                              |                                   |
|------------------------------------|--|------------------------------|-----------------------------------|
|                                    | <u>Contract or underlying<br/>principal amount</u> | <u>Derivative<br/>assets</u> | <u>Derivative<br/>liabilities</u> |
|                                    | RM'000   | RM'000                       | RM'000                            |
| 31 December 2014                   |  |                              |                                   |
| Foreign exchange related contract: |  |                              |                                   |
| -forward/swaps                     | <u>1,269,346</u>                                   | <u>1,790</u>                 | <u>(1,806)</u>                    |
| 31 December 2013                   |  |                              |                                   |
| Foreign exchange related contract: |  |                              |                                   |
| -forward/swaps                     | <u>327,624</u>                                     | <u>1,222</u>                 | <u>(712)</u>                      |

**5. HELD-TO-MATURITY SECURITIES**

|                                    | <u>GROUP AND BANK</u> |                |
|------------------------------------|-----------------------|----------------|
|                                    | 2014                  | 2013           |
|                                    | RM'000                | RM'000         |
| <b>At amortised cost</b>           |                       |                |
| Money market instruments:          |                       |                |
| Malaysian Government Securities    | 448,861               | 207,435        |
| Negotiable instruments of deposits | <u>80,297</u>         | <u>45,024</u>  |
|                                    | <u>529,158</u>        | <u>252,459</u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**6. LOANS AND ADVANCES**(i) By type:

|  | <u>GROUP AND BANK</u>   |                         |
|--|-------------------------|-------------------------|
|  | 2014                    | 2013                    |
|  | RM'000                  | RM'000                  |
| Overdrafts   | 674,923                 | 343,045                 |
| Term loans   |                         |                         |
| - Housing loans                                      | 217,470                 | 89,179                  |
| - Syndicated term loans                              | 205,812                 | 338,493                 |
| - Other term loans                                   | 1,333,955               | 1,025,562               |
| Bills receivables                                    | 1,343,630               | 384,888                 |
| Trust receipts                                       | 35,671                  | 2,322                   |
| Claims on customers under acceptance credits         | 332,037                 | 181,220                 |
| Revolving credits                                    | 934,224                 | 455,735                 |
| Staff loans  | 2,166                   | 2,494                   |
| Gross loans, advances and financing                  | <u>5,079,888</u>        | <u>2,822,938</u>        |
| Less: Allowance for impairment on loans and advances |                         |                         |
| - Individual assessment allowance                    | (899)                   | (899)                   |
| - Collective assessment allowance                    | <u>(26,962)</u>         | <u>(25,066)</u>         |
| Total net loans and advances                         | <u><u>5,052,027</u></u> | <u><u>2,796,973</u></u> |

(ii) By geographical distribution:

|                          | <u>GROUP AND BANK</u>   |                         |
|--------------------------|-------------------------|-------------------------|
|                          | 2014                    | 2013                    |
|                          | RM'000                  | RM'000                  |
| Malaysia                 | 3,632,623               | 2,377,536               |
| Other countries          | 1,447,265               | 445,402                 |
| Gross loans and advances | <u><u>5,079,888</u></u> | <u><u>2,822,938</u></u> |

(iii) By interest rate sensitivity:

|                          | <u>GROUP AND BANK</u>   |                         |
|--------------------------|-------------------------|-------------------------|
|                          | 2014                    | 2013                    |
|                          | RM'000                  | RM'000                  |
| Fixed rate               |                         |                         |
| - Other fixed rate loans | 1,624,992               | 356,935                 |
| Variable rate            |                         |                         |
| - Base lending rate plus | 2,295,211               | 1,466,242               |
| - Cost plus              | 1,089,403               | 542,644                 |
| - Other variable rates   | <u>70,282</u>           | <u>457,117</u>          |
| Gross loans and advances | <u><u>5,079,888</u></u> | <u><u>2,822,938</u></u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**6. LOANS AND ADVANCES (CONTINUED)**(iv) By purpose:

|  | GROUP AND BANK   |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | RM'000           | RM'000           |
| Purchase of securities                                 | 17               | 116,156          |
| Purchase of transport vehicles                         | 27               | 21               |
| Purchase of landed property                            | 1,055,884        | 668,678          |
| of which: - Residential                                | 231,007          | 103,715          |
| - Non-residential                                      | 824,877          | 564,963          |
| Purchase of fixed assets other than land and buildings | 4,912            | 6,416            |
| Personal use   | 246,744          | 87,151           |
| Construction   | 128,636          | 70,669           |
| Working capital  | 3,621,737        | 1,821,695        |
| Others purpose   | 21,931           | 52,152           |
| Gross loans and advances                               | <u>5,079,888</u> | <u>2,822,938</u> |

(v) By residual contractual maturity - remaining:

|                                       | GROUP AND BANK   |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2014             | 2013             |
|                                       | RM'000           | RM'000           |
| Up to one month                       | 1,502,597        | 436,719          |
| More than one month to three months   | 941,948          | 516,867          |
| More than three months to six months  | 705,637          | 52,388           |
| More than six months to twelve months | 208,295          | 37,723           |
| More than twelve months               | 1,721,411        | 1,779,241        |
| Gross loans and advances              | <u>5,079,888</u> | <u>2,822,938</u> |

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

|   | GROUP AND BANK |               |
|---|----------------|---------------|
|   | 2014           | 2013          |
|   | RM'000         | RM'000        |
| At 1 January  | 12,341         | 14,072        |
| Classified as impaired during the year  | 8,058          | 59            |
| Reclassified as performing during the year  | (1,691)        | -             |
| Amount recovered  | (1,743)        | (1,790)       |
| At 31 December  | 16,965         | 12,341        |
| Individual impairment allowance   | (899)          | (899)         |
|   | <u>16,066</u>  | <u>11,442</u> |
| Ratio of net impaired loans and advances to gross loans and advances less individual allowance for impairment | <u>0.316%</u>  | <u>0.405%</u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**6. LOANS AND ADVANCES (CONTINUED)**

(vi) Impaired loans and advances (Continued)

(b) By geographical:

|          | <u>GROUP AND BANK</u> |        |
|----------|-----------------------|--------|
|          | 2014                  | 2013   |
|          | RM'000                | RM'000 |
| Malaysia | 16,965                | 12,341 |

(c) By purpose:

|   | <u>GROUP AND BANK</u> |               |
|---|-----------------------|---------------|
|   | 2014                  | 2013          |
|   | RM'000                | RM'000        |
| Purchase of landed property - residential     | 3,016                 | 133           |
| Purchase of landed property - non-residential | 13,949                | 12,208        |
|   | <u>16,965</u>         | <u>12,341</u> |

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

|  | <u>GROUP AND BANK</u> |               |
|--|-----------------------|---------------|
|  | 2014                  | 2013          |
|  | RM'000                | RM'000        |
| <b><u>Individual impairment allowance</u></b>      |                       |               |
| At 1 January                                       | 899                   | 11            |
| Allowance made during the financial year (Note 24) | -                     | 888           |
| At 31 December                                     | <u>899</u>            | <u>899</u>    |
| <b><u>Collective impairment allowance</u></b>      |                       |               |
| At 1 January                                       | 25,066                | 20,809        |
| Allowance made during the financial year (Note 24) | 1,156                 | 4,257         |
| Exchange differences                               | 740                   | -             |
| At 31 December                                     | <u>26,962</u>         | <u>25,066</u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**7. OTHER ASSETS**

|                   | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Other receivables | 12,699         | 11,740         | 12,305         | 11,497         |
| Sundry deposits   | 2,025          | 1,947          | 1,646          | 1,373          |
| Prepayments       | 520            | 239            | 520            | 239            |
|                   | <u>15,244</u>  | <u>13,926</u>  | <u>14,471</u>  | <u>13,109</u>  |

**8. DEFERRED TAX ASSETS/(LIABILITIES)**

|  | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| At 1 January                           | 3,580          | 3,042          | 3,503          | 2,907          |
| Recognised in profit or loss (Note 25) | 17             | 538            | 124            | 596            |
| At 31 December                         | <u>3,597</u>   | <u>3,580</u>   | <u>3,627</u>   | <u>3,503</u>   |

Presented after appropriate offsetting as follows:

|                        | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Deferred tax asset     | 3,627          | 3,580          | 3,627          | 3,503          |
| Deferred tax liability | (30)           | -              | -              | -              |

The movement in deferred tax assets and liabilities during the financial year are as follows:

**Deferred tax assets**

| <u>GROUP</u>                 | Provision<br>for other<br>liabilities | Unrealised<br>forex<br>gains/losses | Total        |
|------------------------------|---------------------------------------|-------------------------------------|--------------|
|                              | RM'000                                | RM'000                              | RM'000       |
| At 1 January 2013            | 3,221                                 | 398                                 | 3,619        |
| Recognised in profit or loss | 2,032                                 | (398)                               | 1,634        |
| At 31 December 2013          | 5,253                                 | -                                   | 5,253        |
| Recognised in profit or loss | 930                                   | -                                   | 930          |
| At 31 December 2014          | <u>6,183</u>                          | <u>-</u>                            | <u>6,183</u> |

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**8. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

The movement in deferred tax assets and liabilities during the financial year are as follows (continued):

**Deferred tax liabilities**

|                              | Accelerated<br>capital<br>allowances | Unrealised<br>forex<br>gains/losses | Total  |
|------------------------------|--------------------------------------|-------------------------------------|--------|
|                              | RM'000                               | RM'000                              | RM'000 |
| <u>GROUP</u>                 |                                      |                                     |        |
| At 1 January 2013            | 577                                  | -                                   | 577    |
| Recognised in profit or loss | (41)                                 | 1,137                               | 1,096  |
| At 31 December 2013          | 536                                  | 1,137                               | 1,673  |
| Recognised in profit or loss | -                                    | 913                                 | 913    |
| At 31 December 2014          | 536                                  | 2,050                               | 2,586  |

**Deferred tax assets**

|                              | Provision<br>for other<br>liabilities | Unrealised<br>forex<br>gains/losses | Total  |
|------------------------------|---------------------------------------|-------------------------------------|--------|
|                              | RM'000                                | RM'000                              | RM'000 |
| <u>BANK</u>                  |                                       |                                     |        |
| At 1 January 2013            | 3,042                                 | 398                                 | 3,440  |
| Recognised in profit or loss | 2,028                                 | (398)                               | 1,630  |
| At 31 December 2013          | 5,070                                 | -                                   | 5,070  |
| Recognised in profit or loss | 963                                   | -                                   | 963    |
| At 31 December 2014          | 6,033                                 | -                                   | 6,033  |

**Deferred tax liabilities**

|                              | Accelerated<br>capital<br>allowances | Unrealised<br>forex<br>gains/losses | Total  |
|------------------------------|--------------------------------------|-------------------------------------|--------|
|                              | RM'000                               | RM'000                              | RM'000 |
| <u>BANK</u>                  |                                      |                                     |        |
| At 1 January 2013            | 533                                  | -                                   | 533    |
| Recognised in profit or loss | (103)                                | 1,137                               | 1,034  |
| At 31 December 2013          | 430                                  | 1,137                               | 1,567  |
| Recognised in profit or loss | (74)                                 | 913                                 | 839    |
| At 31 December 2014          | 356                                  | 2,050                               | 2,406  |



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**9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994). The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

**10. INVESTMENT IN A SUBSIDIARY**

|                                       | <u>BANK</u>    |                |
|---------------------------------------|----------------|----------------|
|                                       | 2014<br>RM'000 | 2013<br>RM'000 |
| Unquoted shares, at cost, in Malaysia | <u>1,000</u>   | <u>1,000</u>   |

The subsidiary of the Bank is as follows:

| <u>Name</u>                       | <u>Principal activities</u>       | <u>Percentage of equity held</u> |           |
|-----------------------------------|-----------------------------------|----------------------------------|-----------|
|                                   |                                   | 2014<br>%                        | 2013<br>% |
| China Bridge (Malaysia) Sdn. Bhd. | Chinese visa application services | 100                              | 100       |

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| <u>GROUP</u><br><u>2014</u><br><u>COST</u> | <u>Computer<br/>equipment</u><br>RM'000 | <u>Motor<br/>vehicles</u><br>RM'000 | <u>Office<br/>equipment<br/>and furniture</u><br>RM'000 | <u>Renovations</u><br>RM'000 | <u>Buildings</u><br>RM'000 | <u>Work-in-<br/>progress</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|---|-------------------------------------|---|------------------------------|----------------------------|--|------------------------|
| At 1 January                               | 4,715                                   | 1,947                               | 3,950   | 6,241                        | -                          | 8,939                                  | 25,792                 |
| Additions                                  | 297                                     | 318                                 | 509   | 213                          | -                          | 10,053                                 | 11,390                 |
| Reclassification (Note 12)                 | (47)                                    | -                                   | 520   | 2,611                        | 14,103                     | (17,437)                               | (250)                  |
| Write-offs                                 | -                                       | -                                   | (40)  | -                            | -                          | -                                      | (40)                   |
| At 31 December                             | 4,965                                   | 2,265                               | 4,939   | 9,065                        | 14,103                     | 1,555                                  | 36,892                 |
| <b><u>ACCUMULATED DEPRECIATION</u></b>     |   |                                     |   |                              |                            |  |                        |
| At 1 January                               | 3,534                                   | 1,290                               | 2,512   | 2,099                        | -                          | -                                      | 9,435                  |
| Charge for the financial year (Note 22)    | 516                                     | 208                                 | 601   | 2,985                        | 98                         | -                                      | 4,408                  |
| Reclassification                           | 13                                      | -                                   | (13)  | -                            | -                          | -                                      | -                      |
| Write-offs                                 | -                                       | -                                   | (39)  | -                            | -                          | -                                      | (39)                   |
| At 31 December                             | 4,063                                   | 1,498                               | 3,061   | 5,084                        | 98                         | -                                      | 13,804                 |
| <b>NET CARRYING AMOUNT</b>                 | <b>902</b>                              | <b>767</b>                          | <b>1,878</b>  | <b>3,981</b>                 | <b>14,005</b>              | <b>1,555</b>                           | <b>23,088</b>          |

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**11. PROPERTY AND EQUIPMENT (CONTINUED)**

| <u>GROUP</u>                            | <u>Computer</u>  | <u>Motor</u>    | <u>Office</u>    | <u>Renovations</u> | <u>Buildings</u> | <u>Work-in-</u> | <u>Total</u>  |
|---|------------------|-----------------|------------------|--------------------|------------------|-----------------|---------------|
| <u>2013</u>                             | <u>equipment</u> | <u>vehicles</u> | <u>equipment</u> |                    |                  | <u>progress</u> |               |
| <u>COST</u>                             | RM'000           | RM'000          | RM'000           | RM'000             | RM'000           | RM'000          | RM'000        |
| At 1 January                            | 3,815            | 1,665           | 3,413            | 5,578              | -                | 1,082           | 15,553        |
| Additions                               | 890              | 282             | 588              | 857                | -                | 8,691           | 11,308        |
| Reclassification                        | 10               | -               | 49               | 775                | -                | (834)           | -             |
| Write-offs                              | -                | -               | (100)            | (969)              | -                | -               | (1,069)       |
| At 31 December                          | <u>4,715</u>     | <u>1,947</u>    | <u>3,950</u>     | <u>6,241</u>       | <u>-</u>         | <u>8,939</u>    | <u>25,792</u> |
| <b><u>ACCUMULATED DEPRECIATION</u></b>  |                  |                 |                  |                    |                  |                 |               |
| At 1 January                            | 3,089            | 1,051           | 2,026            | 1,735              | -                | -               | 7,901         |
| Charge for the financial year (Note 22) | 441              | 239             | 571              | 738                | -                | -               | 1,989         |
| Reclassification                        | 4                | -               | (4)              | -                  | -                | -               | -             |
| Write-offs                              | -                | -               | (81)             | (374)              | -                | -               | (455)         |
| At 31 December                          | <u>3,534</u>     | <u>1,290</u>    | <u>2,512</u>     | <u>2,099</u>       | <u>-</u>         | <u>-</u>        | <u>9,435</u>  |
| <b>NET CARRYING AMOUNT</b>              | <u>1,181</u>     | <u>657</u>      | <u>1,438</u>     | <u>4,142</u>       | <u>-</u>         | <u>8,939</u>    | <u>16,357</u> |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**11. PROPERTY AND EQUIPMENT (CONTINUED)**

| <u>BANK</u><br><u>2014</u><br><u>COST</u> | <u>Computer</u><br><u>equipment</u><br>RM'000 | <u>Motor</u><br><u>vehicles</u><br>RM'000 | <u>Office</u><br><u>equipment</u><br>RM'000 | <u>Renovations</u><br>RM'000 | <u>Buildings</u><br>RM'000 | <u>Work-in-</u><br><u>progress</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|---|---|---|------------------------------|----------------------------|--|------------------------|
| At 1 January                              | 4,106   | 1,946                                     | 3,603                                       | 6,241                        | -                          | 6,737  | 22,633                 |
| Additions                                 | 195   | 318                                       | 113   | 179                          | -                          | 10,053                                       | 10,858                 |
| Reclassification (Note 12)                | 100   | -   | 159   | 665                          | 14,103                     | (15,277)                                     | (250)                  |
| Write-offs                                | -   | -   | (40)  | -                            | -                          | -  | (40)                   |
| At 31 December                            | <u>4,401</u>                                  | <u>2,264</u>                              | <u>3,835</u>                                | <u>7,085</u>                 | <u>14,103</u>              | <u>1,513</u>                                 | <u>33,201</u>          |
| <b><u>ACCUMULATED DEPRECIATION</u></b>    |   |   |   |                              |                            |  |                        |
| At 1 January                              | 3,285   | 1,289                                     | 2,313                                       | 2,099                        | -                          | -  | 8,986                  |
| Charge for the financial year (Note 22)   | 417   | 208                                       | 469   | 2,953                        | 98                         | -  | 4,145                  |
| Reclassification                          | 13  | -   | (13)  | -                            | -                          | -  | -                      |
| Write-offs                                | -   | -   | (39)  | -                            | -                          | -  | (39)                   |
| At 31 December                            | <u>3,715</u>                                  | <u>1,497</u>                              | <u>2,730</u>                                | <u>5,052</u>                 | <u>98</u>                  | <u>-</u>                                     | <u>13,092</u>          |
| <b>NET CARRYING AMOUNT</b>                | <u>686</u>                                    | <u>767</u>                                | <u>1,105</u>                                | <u>2,033</u>                 | <u>14,005</u>              | <u>1,513</u>                                 | <u>20,109</u>          |

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**11. PROPERTY AND EQUIPMENT (CONTINUED)**

| <u>BANK</u><br><u>2013</u><br><u>COST</u> | <u>Computer</u><br><u>equipment</u><br>RM'000 | <u>Motor</u><br><u>vehicles</u><br>RM'000 | <u>Office</u><br><u>equipment</u><br>RM'000 | <u>Renovations</u><br>RM'000 | <u>Buildings</u><br>RM'000 | <u>Work-in-</u><br><u>progress</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|---|---|---|------------------------------|----------------------------|--|------------------------|
| At 1 January                              | 3,564   | 1,665                                     | 3,037                                       | 4,609                        | -                          | 1,082  | 13,957                 |
| Additions                                 | 542   | 281                                       | 515   | 858                          | -                          | 6,489  | 8,685                  |
| Reclassification                          | -   | -   | 60  | 774                          | -                          | (834)  | -                      |
| Write-offs                                | -   | -   | (9)   | -                            | -                          | -  | (9)                    |
| At 31 December                            | 4,106   | 1,946                                     | 3,603                                       | 6,241                        | -                          | 6,737  | 22,633                 |
| <b><u>ACCUMULATED DEPRECIATION</u></b>    |   |   |   |                              |                            |  |                        |
| At 1 January                              | 2,876   | 1,051                                     | 1,818                                       | 1,449                        | -                          | -  | 7,194                  |
| Charge for the financial year (Note 22)   | 409   | 238                                       | 504   | 650                          | -                          | -  | 1,801                  |
| Write-offs                                | -   | -   | (9)   | -                            | -                          | -  | (9)                    |
| At 31 December                            | 3,285   | 1,289                                     | 2,313                                       | 2,099                        | -                          | -  | 8,986                  |
| <b>NET CARRYING AMOUNT</b>                | <b>821</b>                                    | <b>657</b>                                | <b>1,290</b>                                | <b>4,142</b>                 | <b>-</b>                   | <b>6,737</b>                                 | <b>13,647</b>          |

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**12. INTANGIBLE ASSETS**

|   | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <u>Computer Software</u>                |                |                |                |                |
| <b>Cost:</b>                            |                |                |                |                |
| At 1 January                            | 3,335          | 3,332          | 3,318          | 3,318          |
| Additions                               | 24             | 3              | 24             | -              |
| Reclass from work-in-progress (Note 11) | 250            | -              | 250            | -              |
| At 31 December                          | <u>3,609</u>   | <u>3,335</u>   | <u>3,592</u>   | <u>3,318</u>   |
| <u>Accumulated amortisation:</u>        |                |                |                |                |
| At 1 January                            | 3,227          | 3,120          | 3,212          | 3,106          |
| Charge for the financial year (Note 22) | 117            | 107            | 117            | 106            |
| At 31 December                          | <u>3,344</u>   | <u>3,227</u>   | <u>3,329</u>   | <u>3,212</u>   |
| Net book value                          | <u>265</u>     | <u>108</u>     | <u>263</u>     | <u>106</u>     |

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**13. DEPOSITS FROM CUSTOMERS**

(i) By type of deposits

|                                    | <u>GROUP</u>     |                  | <u>BANK</u>      |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Demand deposits                    | 452,809          | 333,458          | 461,541          | 341,501          |
| Savings deposits                   | 101,377          | 77,822           | 101,377          | 77,822           |
| Fixed deposits                     | 3,964,159        | 2,794,191        | 3,964,159        | 2,794,191        |
| Negotiable instruments of deposits | 200,299          | -                | 200,299          | -                |
|                                    | <u>4,718,644</u> | <u>3,205,471</u> | <u>4,727,376</u> | <u>3,213,514</u> |

(ii) By type of customers

|                                 | <u>GROUP</u>     |                  | <u>BANK</u>      |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Government and statutory bodies | 10,299           | -                | 10,299           | -                |
| Business enterprises            | 1,169,050        | 1,070,514        | 1,177,782        | 1,078,557        |
| Individuals                     | 1,607,864        | 1,197,219        | 1,607,864        | 1,197,219        |
| Others                          | 1,931,431        | 937,738          | 1,931,431        | 937,738          |
|                                 | <u>4,718,644</u> | <u>3,205,471</u> | <u>4,727,376</u> | <u>3,213,514</u> |

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

|                         | <u>GROUP</u>     |                  | <u>BANK</u>      |                  |
|-------------------------|------------------|------------------|------------------|------------------|
|                         | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Due within six months   | 3,325,941        | 2,168,754        | 3,325,941        | 2,168,754        |
| Six months to one year  | 788,278          | 624,936          | 788,278          | 624,936          |
| One year to three years | 50,239           | 501              | 50,239           | 501              |
|                         | <u>4,164,458</u> | <u>2,794,191</u> | <u>4,164,458</u> | <u>2,794,191</u> |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                              | <u>GROUP AND BANK</u> |                  |
|------------------------------|-----------------------|------------------|
|                              | 2014                  | 2013             |
|                              | RM'000                | RM'000           |
| Bank Negara Malaysia         | 66,895                | 912,552          |
| Licensed banks               | 3,840,611             | 4,064,666        |
| Licensed investment banks    | 1,329                 | 92,700           |
| Licensed Islamic banks       | 169                   | 3,670            |
| Other financial institutions | -                     | 4                |
|                              | <u>3,909,004</u>      | <u>5,073,592</u> |

**15. OTHER LIABILITIES**

|                   | <u>GROUP</u>  |                | <u>BANK</u>   |                |
|-------------------|---------------|----------------|---------------|----------------|
|                   | 2014          | 2013           | 2014          | 2013           |
|                   | RM'000        | RM'000         | RM'000        | RM'000         |
| Accrued expenses  | 20,318        | 18,872         | 19,655        | 17,319         |
| Margin deposits   | 8,258         | 10,243         | 8,258         | 10,243         |
| Other liabilities | 38,589        | 146,509        | 37,115        | 145,577        |
|                   | <u>67,165</u> | <u>175,624</u> | <u>65,028</u> | <u>173,139</u> |

**16. SHARE CAPITAL**

|                                   | Number of ordinary shares<br>of RM1.00 each |                | Amount         |                |
|-----------------------------------|---|----------------|----------------|----------------|
|                                   | 2014  | 2013           | 2014           | 2013           |
|                                   | 000   | 000            | RM'000         | RM'000         |
| <u>GROUP AND BANK</u>             |   |                |                |                |
| Authorised:                       |   |                |                |                |
| At 1 January                      | 304,000                                     | 304,000        | 304,000        | 304,000        |
| Created during the financial year | 500,000                                     | -              | 500,000        | -              |
| At 31 December                    | <u>804,000</u>                              | <u>304,000</u> | <u>804,000</u> | <u>304,000</u> |
| Issued and fully paid:            |   |                |                |                |
| At 1 January                      | 304,000                                     | 304,000        | 304,000        | 304,000        |
| Issued during the financial year  | 456,518                                     | -              | 456,518        | -              |
| At 31 December                    | <u>760,518</u>                              | <u>304,000</u> | <u>760,518</u> | <u>304,000</u> |



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**17. RESERVES**

(a) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2014 under the single tier system.

(b) Statutory reserve

The statutory reserve is maintained in compliance with Section 47 of the Financial Services Act, 2013 and is not distributable as cash dividends.

**18. OPERATING REVENUE**

Operating revenue comprises interest income, gross fee and gross commission income, investment income and other income.

**19. INTEREST INCOME**

|  | <u>GROUP AND BANK</u> |                |
|--|-----------------------|----------------|
|  | 2014                  | 2013           |
|  | RM'000                | RM'000         |
| Loans and advances   |                       |                |
| - Interest income on non-impaired loans                          | 204,071               | 111,406        |
| - Interest income on impaired loans                              | 620                   | 934            |
| Money at call and deposit placements with financial institutions | 215,513               | 139,338        |
| Held-to-maturity securities                                      | 8,923                 | 4,859          |
|  | <u>429,127</u>        | <u>256,537</u> |
| Amortisation of premium less accretion of discount               | (222)                 | (249)          |
|  | <u>428,905</u>        | <u>256,288</u> |

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**20. INTEREST EXPENSE**

|   | <u>GROUP AND BANK</u> |                |
|---|-----------------------|----------------|
|   | 2014                  | 2013           |
|   | RM'000                | RM'000         |
| Deposits and placements of banks and other financial institutions | 129,638               | 88,340         |
| Deposits from customers   | 131,656               | 68,935         |
| Others  | 30                    | 48             |
|   | <u>261,324</u>        | <u>157,323</u> |

**21. OTHER OPERATING INCOME**

|  | <u>GROUP</u>  |               | <u>BANK</u>   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2014          | 2013          | 2014          | 2013          |
|  | RM'000        | RM'000        | RM'000        | RM'000        |
| Fee income:                                  |               |               |               |               |
| - Fee on loans and advances                  | 16,386        | 10,447        | 16,386        | 10,447        |
| - Service charges and fees                   | 38,010        | 25,459        | 5,114         | 4,959         |
| - Guarantee fees                             | 6,895         | 4,333         | 6,895         | 4,333         |
|  | <u>61,291</u> | <u>40,239</u> | <u>28,395</u> | <u>19,739</u> |
| Fee expense:                                 |               |               |               |               |
| - Commission related expenses                | (11,591)      | (7,753)       | -             | -             |
| Net fee income                               | <u>49,700</u> | <u>32,486</u> | <u>28,395</u> | <u>19,739</u> |
| Foreign exchange income:                     |               |               |               |               |
| - Realised                                   | (1,578)       | 4,747         | (1,578)       | 4,747         |
| - Unrealised                                 | 3,744         | 4,457         | 3,744         | 4,457         |
| (Loss)/gain on revaluation of derivatives    | (526)         | 747           | (526)         | 747           |
| Revenue from sale of precious metal products | 9,122         | -             | 9,122         | -             |
| Other income:                                |               |               |               |               |
| - Dividend income from subsidiary            | -             | -             | 10,000        | -             |
| - Others                                     | 25            | 72            | 145           | 192           |
|  | <u>60,487</u> | <u>42,509</u> | <u>49,302</u> | <u>29,882</u> |

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**22. OTHER OPERATING EXPENSES**

|   | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|---|----------------|----------------|----------------|----------------|
|   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| <u>Personnel expenses</u>                           |                |                |                |                |
| Salaries & wages (includes CEO/EDs)                 | 23,327         | 18,902         | 21,818         | 17,507         |
| Bonuses   | 13,473         | 8,433          | 13,203         | 7,847          |
| Defined contribution plan ("EPF")                   | 4,266          | 3,136          | 4,085          | 2,961          |
| Staff welfare expenses                              | 1,457          | 1,041          | 1,255          | 898            |
| Other personnel costs                               | 3,258          | 3,309          | 3,128          | 3,053          |
|   | <u>45,781</u>  | <u>34,821</u>  | <u>43,489</u>  | <u>32,266</u>  |
| <u>Marketing expenses</u>                           |                |                |                |                |
| Entertainment                                       | 1,236          | 952            | 1,231          | 912            |
| Other marketing                                     | 1,017          | 456            | 1,015          | 448            |
|   | <u>2,253</u>   | <u>1,408</u>   | <u>2,246</u>   | <u>1,360</u>   |
| <u>Establishment costs</u>                          |                |                |                |                |
| Rental of premises                                  | 6,679          | 5,192          | 5,038          | 3,857          |
| Depreciation of property and equipment<br>(Note 11) | 4,408          | 1,989          | 4,145          | 1,801          |
| Amortisation of intangible assets (Note 12)         | 117            | 107            | 117            | 106            |
| Repairs and maintenance                             | 333            | 498            | 319            | 469            |
| Property and equipment written off (Note 11)        | 1              | 614            | 1              | -              |
| Information technology expenses                     | 2,343          | 5,429          | 2,327          | 5,419          |
| Other establishment costs                           | 406            | 593            | 353            | 488            |
|   | <u>14,287</u>  | <u>14,422</u>  | <u>12,300</u>  | <u>12,140</u>  |
| <u>Administration and general expenses</u>          |                |                |                |                |
| Insurance premium                                   | 397            | 287            | 392            | 285            |
| Travelling and accommodation                        | 1,627          | 1,125          | 1,567          | 1,069          |
| Telecommunication and utilities                     | 1,047          | 837            | 966            | 734            |
| Printing, stationery and postage                    | 667            | 725            | 533            | 635            |
| Legal and professional fees                         | 510            | 439            | 489            | 269            |
| Other administration and general expenses           | 1,991          | 2,180          | 1,685          | 2,008          |
|   | <u>6,239</u>   | <u>5,593</u>   | <u>5,632</u>   | <u>5,000</u>   |
| <u>Other expenses</u>                               |                |                |                |                |
| Cost of sales of precious metal products            | 7,793          | -              | 7,793          | -              |
|   | <u>7,793</u>   | <u>-</u>       | <u>7,793</u>   | <u>-</u>       |
|   | <u>76,353</u>  | <u>56,244</u>  | <u>71,460</u>  | <u>50,766</u>  |

The above expenditure includes the following statutory disclosures:

|                                   | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Auditors' remuneration            |                |                |                |                |
| - audit                           | 172            | 160            | 133            | 123            |
| - regulatory-related services     | 30             | 20             | 30             | 20             |
| - other services                  | 23             | 21             | 13             | 12             |
| Directors' remuneration (Note 23) | 1,396          | 1,411          | 1,396          | 1,411          |
|                                   | <u>1,396</u>   | <u>1,411</u>   | <u>1,396</u>   | <u>1,411</u>   |

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**23. DIRECTORS' REMUNERATION**

The details of remuneration receivable by Directors of the Bank during the financial year are as follows:

|                                 | <u>GROUP AND BANK</u> |                |
|---------------------------------|-----------------------|----------------|
|                                 | 2014<br>RM'000        | 2013<br>RM'000 |
| <u>Executive Directors</u>      |                       |                |
| - salary and other remuneration | 689                   | 646            |
| - bonus                         | 521                   | 460            |
| - benefits-in-kind              | 66                    | 80             |
|                                 | <u>1,276</u>          | <u>1,186</u>   |
| <u>Non-Executive Directors</u>  |                       |                |
| Fees                            |                       |                |
| - Tan Siak Tee                  | -                     | 65             |
| - Datuk Ter Leong Yap           | 55                    | 74             |
| - Chai Woon Chew, Michael       | 65                    | 86             |
|                                 | <u>120</u>            | <u>225</u>     |
|                                 | <u>1,396</u>          | <u>1,411</u>   |

The remuneration attributable to the Executive Director/Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM1,276,039 (2013: RM1,186,139).

The number of Directors of the Bank whose total remuneration including benefits-in-kind for the financial year falls into the following remuneration bands:

|                                | <u>GROUP AND BANK</u>      |      |
|--------------------------------|----------------------------|------|
|                                | <u>Number of Directors</u> |      |
|                                | 2014                       | 2013 |
| <u>Executive Directors</u>     |                            |      |
| RM500,001 - RM1,000,000        | -                          | 2    |
| RM1,000,001 - RM1,500,000      | 1                          | -    |
| <u>Non-Executive Directors</u> |                            |      |
| RM50,001 - RM100,000           | 2                          | 3    |
| RM100,001 - RM150,000          | -                          | -    |

**24. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES**

|   | <u>GROUP AND BANK</u> |                |
|---|-----------------------|----------------|
|   | 2014<br>RM'000        | 2013<br>RM'000 |
| Allowance for impaired loans and advances       |                       |                |
| (a) Individual impairment allowance             |                       |                |
| - made during the financial year (Note 6 (vii)) | -                     | 888            |
| (b) Collective impairment allowance             |                       |                |
| - made during the financial year (Note 6 (vii)) | 1,156                 | 4,257          |
|   | <u>1,156</u>          | <u>5,145</u>   |
|   | <u>1,156</u>          | <u>5,145</u>   |

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|  | <u>GROUP</u>  |               | <u>BANK</u>   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2014          | 2013          | 2014          | 2013          |
|  | RM'000        | RM'000        | RM'000        | RM'000        |
| Tax expense for the financial year:                      |               |               |               |               |
| - Malaysian income tax                                   | 39,419        | 21,552        | 35,437        | 19,579        |
| - Foreign tax  | 17,909        | 7,558         | 17,909        | 7,558         |
| Less : Double taxation relief                            | (13,170)      | (5,167)       | (13,170)      | (5,167)       |
| - Under/(over) provision in prior financial years        | 115           | (180)         | 128           | (184)         |
|  | <u>44,273</u> | <u>23,763</u> | <u>40,304</u> | <u>21,786</u> |
| Deferred tax (Note 8):                                   |               |               |               |               |
| - Origination and reversal of temporary differences, net | (578)         | (725)         | (692)         | (771)         |
| - Under provision in prior financial years               | 561           | 187           | 568           | 175           |
|  | <u>(17)</u>   | <u>(538)</u>  | <u>(124)</u>  | <u>(596)</u>  |
| Total tax expense  | <u>44,256</u> | <u>23,225</u> | <u>40,180</u> | <u>21,190</u> |

The explanation of the relationship between tax expense and profit before taxation is as follows:

|  | <u>GROUP</u>   |               | <u>BANK</u>    |               |
|--|----------------|---------------|----------------|---------------|
|  | 2014           | 2013          | 2014           | 2013          |
|  | RM'000         | RM'000        | RM'000         | RM'000        |
| Profit before taxation                           | <u>150,559</u> | <u>80,085</u> | <u>144,267</u> | <u>72,936</u> |
| Statutory tax rate in Malaysia, 25%              | 37,640         | 20,021        | 36,067         | 18,234        |
| Tax effect in respect of:                        |                |               |                |               |
| Non-allowable expenses                           | 1,201          | 806           | 1,178          | 574           |
| Non-taxable income                               | -              | -             | (2,500)        | -             |
| Effect of different tax rates in other countries | 4,739          | 2,391         | 4,739          | 2,391         |
| Under/(over) provision in prior years:           | -              |               |                |               |
| - Income tax                                     | 115            | (180)         | 128            | (184)         |
| - Deferred tax                                   | 561            | 187           | 568            | 175           |
| Tax expense                                      | <u>44,256</u>  | <u>23,225</u> | <u>40,180</u>  | <u>21,190</u> |

**26. EARNINGS PER SHARE**

The basic and fully diluted earnings per ordinary share for the Group have been calculated based on the net profit attributable to equity holder of the Group and weighted average number of ordinary shares in issue during the financial year.

|   | <u>GROUP</u> |             |
|---|--------------|-------------|
|   | 2014         | 2013        |
|   | RM'000       | RM'000      |
| Net profit attributable to equity holder            | 106,303      | 56,860      |
| Weighted average number of ordinary shares in issue | 436,578      | 304,000     |
| Basic/fully diluted earnings per share (sen)        | <u>24.4</u>  | <u>18.7</u> |

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The related parties that have transactions and their relationship with the Group and the Bank are as follows:

| <u>Related party</u>                      | <u>Relationship</u>      |
|---|--------------------------|
| China Investment Corporation              | Ultimate holding company |
| Bank of China Limited                     | Holding company          |
| Bank of China (Toronto) Limited           | Fellow subsidiary        |
| Bank of China (Hong Kong) Limited         | Fellow subsidiary        |
| Bank of China Middle East (Dubai) Limited | Fellow subsidiary        |
| China Bridge (Malaysia) Sdn Bhd           | Subsidiary               |

(a) The following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

| <u>GROUP</u><br><u>2014</u>   | <u>Holding company</u><br>RM'000 | <u>Fellow subsidiaries</u><br>RM'000 | <u>Key management personnel</u><br>RM'000 |
|---|----------------------------------|--------------------------------------|---|
| <b>INCOME</b>   |                                  |                                      |   |
| Interest income:  |                                  |                                      |   |
| - Deposits and placements with banks and other financial institutions | 162,688                          | 227                                  | -   |
| - Housing loan  | -                                | -                                    | 22  |
|   | <u>162,688</u>                   | <u>227</u>                           | <u>22</u>                                 |
| <b>EXPENSES</b>   |                                  |                                      |   |
| Interest expenses:  |                                  |                                      |   |
| - Deposits and placements of banks and other financial institutions   | 55,954                           | -                                    | -   |
| - Deposits from customers   | -                                | -                                    | 18  |
| - Administrative expenses   | -                                | 388                                  | -   |
|   | <u>55,954</u>                    | <u>388</u>                           | <u>18</u>                                 |

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| <u>GROUP</u><br><u>2013</u>   | <u>Holding<br/>company</u><br>RM'000 | <u>Fellow<br/>subsidiaries</u><br>RM'000 | <u>Key<br/>management<br/>personnel</u><br>RM'000 |   |
|---|--------------------------------------|--|---|---|
| <b>INCOME</b>   |                                      |  |   |   |
| Interest income:  |                                      |  |   |   |
| - Deposits and placements with banks and other financial institutions | 111,504                              | 940                                      | -   |   |
| - Housing loan  | -                                    | -  | 18  |   |
|   | <u>111,504</u>                       | <u>940</u>                               | <u>18</u>   |   |
| <b>EXPENSES</b>   |                                      |  |   |   |
| Interest expenses:  |                                      |  |   |   |
| - Deposits and placements of banks and other financial institutions   | 26,979                               | -  | -   |   |
| - Deposits from customers   | -                                    | -  | 55  |   |
| - Administrative expenses   | -                                    | 826                                      | -   |   |
|   | <u>26,979</u>                        | <u>826</u>                               | <u>55</u>   |   |
| <u>BANK</u><br><u>2014</u>  | <u>Holding<br/>company</u><br>RM'000 | <u>Fellow<br/>subsidiaries</u><br>RM'000 | <u>Subsidiary</u><br>RM'000                       | <u>Key<br/>management<br/>personnel</u><br>RM'000 |
| <b>INCOME</b>   |                                      |  |   |   |
| Interest income:  |                                      |  |   |   |
| - Deposits and placements with banks and other financial institutions | 162,688                              | 227                                      | -   | -   |
| - Housing loan  | -                                    | -  | -   | 22  |
| - Other operating income:   | -                                    | -  | -   | -   |
| - Dividend income   | -                                    | -  | 10,000  | -   |
| - Others  | -                                    | -  | 120   | -   |
|   | <u>162,688</u>                       | <u>227</u>                               | <u>10,120</u>                                     | <u>22</u>   |
| <b>EXPENSES</b>   |                                      |  |   |   |
| Interest expenses:  |                                      |  |   |   |
| - Deposits and placements of banks and other financial institutions   | 55,954                               | -  | -   | -   |
| - Deposits from customers   | -                                    | -  | -   | 18  |
| - Administrative expenses   | -                                    | 388                                      | -   | -   |
|   | <u>55,954</u>                        | <u>388</u>                               | <u>-</u>  | <u>18</u>   |

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**(a) Related party transactions (Continued)

| <u>BANK</u><br><u>2013</u>  | <u>Holding<br/>company</u><br>RM'000 | <u>Fellow<br/>subsidiaries</u><br>RM'000 | <u>Subsidiary</u><br>RM'000 | <u>Key<br/>management<br/>personnel</u><br>RM'000 |
|---|--------------------------------------|--|-----------------------------|---|
| <b>INCOME</b>   |                                      |  |                             |   |
| Interest income:  |                                      |  |                             |   |
| - Deposits and placements with banks and other financial institutions | 111,504                              | 940                                      | -                           | -   |
| - Housing loan  | -                                    | -  | -                           | 8   |
| - Other income  | -                                    | -  | 120                         | -   |
|   | <u>111,504</u>                       | <u>940</u>                               | <u>120</u>                  | <u>8</u>  |
| <b>EXPENSES</b>   |                                      |  |                             |   |
| Interest expenses:  |                                      |  |                             |   |
| - Deposits and placements of banks and other financial institutions   | 26,979                               | -  | -                           | -   |
| - Deposits from customers   | -                                    | -  | -                           | 51  |
| - Administrative expenses   | -                                    | 826                                      | -                           | -   |
|   | <u>26,979</u>                        | <u>826</u>                               | <u>-</u>                    | <u>51</u>   |

(b) Related party balances

Significant outstanding balances of the Group with its related parties are as follows:

| <u>GROUP</u><br><u>2014</u>   | <u>Holding<br/>company</u><br>RM'000 | <u>Fellow<br/>subsidiaries</u><br>RM'000 | <u>Key<br/>management<br/>personnel</u><br>RM'000 |
|---|--------------------------------------|--|---|
| <b>AMOUNT DUE FROM</b>  |                                      |  |   |
| Cash and short-term funds   | 1,392,401                            | 455,595                                  | -   |
| Deposits and placements with banks and other financial institutions | 279,775                              | -  | -   |
| Housing loan  | -                                    | -  | 668   |
|   | <u>1,672,176</u>                     | <u>455,595</u>                           | <u>668</u>  |
| <b>AMOUNT DUE TO</b>  |                                      |  |   |
| Deposits and placements of banks and other financial institutions   | 3,090,939                            | -  | -   |
| Deposits from customers   | -                                    | -  | 912   |
|   | <u>3,090,939</u>                     | <u>-</u>                                 | <u>912</u>  |



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| <u>GROUP</u><br><u>2013</u>  | <u>Holding</u><br><u>company</u><br>RM'000 | <u>Fellow</u><br><u>subsidiaries</u><br>RM'000 | <u>Key</u><br><u>management</u><br><u>personnel</u><br>RM'000 |
|--|--|--|---|
| AMOUNT DUE FROM  |  |  |   |
| Cash and short-term funds  | 3,310,096                                  | 147,971  | -   |
| Deposits and placements with banks and<br>other financial institutions | 1,347,112                                  | -  | -   |
| Housing loan   | -  | -  | 758   |
|  | <u>4,657,208</u>                           | <u>147,971</u>                                 | <u>758</u>  |

## AMOUNT DUE TO

|  |                  |          |              |
|--|------------------|----------|--------------|
| Deposits and placements of banks and<br>other financial institutions | 1,936,245        | -        | -            |
| Deposits from customers  | -                | -        | 1,247        |
|  | <u>1,936,245</u> | <u>-</u> | <u>1,247</u> |

| <u>BANK</u><br><u>2014</u>   | <u>Holding</u><br><u>company</u><br>RM'000 | <u>Fellow</u><br><u>subsidiaries</u><br>RM'000 | <u>Subsidiary</u><br>RM'000 | <u>Key</u><br><u>management</u><br><u>personnel</u><br>RM'000 |
|--|--|--|-----------------------------|---|
| AMOUNT DUE FROM  |  |  |                             |   |
| Cash and short-term funds  | 1,392,401                                  | 455,595  | -                           | -   |
| Deposits and placements with banks and<br>other financial institutions | 279,775                                    | -  | -                           | -   |
| Housing loan   | -  | -  | -                           | 668   |
|  | <u>1,672,176</u>                           | <u>455,595</u>                                 | <u>-</u>                    | <u>668</u>  |

## AMOUNT DUE TO

|  |                  |          |              |            |
|--|------------------|----------|--------------|------------|
| Deposits and placements of banks and<br>other financial institutions | 3,090,939        | -        | -            | -          |
| Deposits from customers  | -                | -        | 8,732        | 912        |
|  | <u>3,090,939</u> | <u>-</u> | <u>8,732</u> | <u>912</u> |

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| <u>BANK</u><br><u>2013</u>  | <u>Holding</u><br><u>company</u><br>RM'000 | <u>Fellow</u><br><u>subsidiaries</u><br>RM'000 | <u>Subsidiary</u><br>RM'000 | <u>Key</u><br><u>management</u><br><u>personnel</u><br>RM'000 |
|---|--|--|-----------------------------|---|
| <b>AMOUNT DUE FROM</b>  |  |  |                             |   |
| Cash and short-term funds   | 3,310,096                                  | 147,971  | -                           | -   |
| Deposits and placements with banks and other financial institutions | 1,347,112                                  | -  | -                           | -   |
| Housing loan  | -  | -  | -                           | 483   |
|   | <u>4,657,208</u>                           | <u>147,971</u>                                 | <u>-</u>                    | <u>483</u>  |
| <b>AMOUNT DUE TO</b>  |  |  |                             |   |
| Deposits and placements of banks and other financial institutions   | 1,936,245                                  | -  | -                           | -   |
| Deposits from customers   | -  | -  | 8,043                       | 914   |
|   | <u>1,936,245</u>                           | <u>-</u>                                       | <u>8,043</u>                | <u>914</u>  |

Included in the table above are deposits payable to the Directors of the Group and of the Bank amounting to RM777,000 and RM777,000 respectively (31 December 2013: RM799,000 and RM509,000).

(c) Key management personnel compensation

The remuneration of Directors and other key management personnel <sup>(1)</sup> during the financial year are as follows:

|  | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Fees                                   | 120            | 225            | 120            | 225            |
| Salaries and other short-term benefits | 4,428          | 3,638          | 4,428          | 2,965          |
| Defined contribution plan ('EPF')      | 132            | 56             | 132            | 56             |
| Benefits-in-kind                       | 139            | 124            | 139            | 124            |
|  | <u>4,819</u>   | <u>4,043</u>   | <u>4,819</u>   | <u>3,370</u>   |

Included in the above table are Directors' remuneration as disclosed in Note 23.

(1) Key management personnel include the Directors of the Group and of the Bank and senior management of the Group and of the Bank.

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**28. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

Connected parties refer to director, controlling shareholder, executive officer, officer who is responsible for or has the authority to appraise and/or approve credit transactions or review the status of existing credit transactions and any transactions that involve their close relative and any firm, partnerships, companies or any legal entities controlled by them.

Pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008, the Bank is required to disclose the following information:

|  | <u>GROUP AND BANK</u> |                |
|--|-----------------------|----------------|
|  | 2014<br>RM'000        | 2013<br>RM'000 |
| Outstanding credit exposures with connected parties  | 654,680               | 526,124        |
| Outstanding credit exposures with connected parties as a percentage of total credit exposures            | 11%                   | 13%            |
| Percentage of outstanding credit exposures with connected parties which are non-performing or in default | 0%                    | 0%             |

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**29. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions, and hence are not provided for in the financial statements.

The commitments and contingencies constitute the following:

|   | Group and Bank   |                   |                |                  |                |                |
|---|------------------|-------------------|----------------|------------------|----------------|----------------|
|   | 31 December 2014 |                   |                | 31 December 2013 |                |                |
|   | Principal        | Credit equivalent | Risk           | Principal        | Credit         | Risk           |
|   | RM'000           | RM'000            | weighted       | RM'000           | equivalent     | weighted       |
|   |                  |                   | RM'000         |                  | RM'000         | RM'000         |
| Direct credit substitutes                 | 73,805           | 73,805            | 57,461         | 71,170           | 71,170         | 55,410         |
| Transaction-related contingent items      | 1,234,096        | 617,048           | 271,515        | 1,107,380        | 553,690        | 212,149        |
| Short-term self-liquidation trade related | 22,360           | 4,472             | 4,461          | 4,289            | 858            | 858            |
| Irrevocable commitments to extend credit: |                  |                   |                |                  |                |                |
| - Maturity not exceeding one year         | 1,187,031        | 237,406           | 221,426        | 926,666          | 185,333        | 172,243        |
| - Maturity exceeding one year             | 350,416          | 175,208           | 123,227        | 147,312          | 73,656         | 65,970         |
| Foreign exchange related contracts:       |                  |                   |                |                  |                |                |
| - Less than one year                      | 1,269,346        | 12,059            | 2,412          | 327,624          | 2,179          | 436            |
| Others                                    | -                | -                 | -              | 17,072           | -              | -              |
| Total                                     | <u>4,137,054</u> | <u>1,119,998</u>  | <u>680,502</u> | <u>2,601,513</u> | <u>886,886</u> | <u>507,066</u> |

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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**30. LEASE COMMITMENTS**

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the cancellable long term commitments is as follows:

|  | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Not later than 1 year                        | 5,882          | 6,060          | 4,561          | 4,181          |
| Later than 1 year but not later than 5 years | 2,638          | 7,490          | 1,947          | 4,928          |
|  | <u>8,520</u>   | <u>13,550</u>  | <u>6,508</u>   | <u>9,109</u>   |

**31. CAPITAL COMMITMENTS**

|  | <u>GROUP</u>   |                | <u>BANK</u>    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Capital expenditure for property and equipment<br>- approved by the Board and contracted for | 901            | 7,616          | 901            | 7,616          |

**32. CAPITAL ADEQUACY**

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

With effect from 1 January 2013, the capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Group and of the Bank has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The minimum regulatory capital adequacy ratios are as follows:

| Calendar Year | Common Equity Tier I ("CET I") Capital Ratio | Tier I Capital Ratio | Total Capital Ratio |
|---------------|--|----------------------|---------------------|
| 2014*         | 4.0%   | 5.5%                 | 8.0%                |
| 2015          | 4.5%   | 6.0%                 | 8.0%                |

\* transitional arrangements according to BNM Guidelines

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**32. CAPITAL ADEQUACY (CONTINUED)**

|   | <u>GROUP</u>            |                       | <u>BANK</u>             |                       |
|---|-------------------------|-----------------------|-------------------------|-----------------------|
|   | 2014<br>RM'000          | 2013<br>RM'000        | 2014<br>RM'000          | 2013<br>RM'000        |
| <u>Common Equity Tier 1 (CET 1) Capital</u>       |                         |                       |                         |                       |
| Paid-up ordinary share capital                    | 760,518                 | 304,000               | 760,518                 | 304,000               |
| Retained profits                                  | 147,077                 | 92,818                | 134,518                 | 82,475                |
| Statutory reserve                                 | 171,605                 | 119,561               | 171,605                 | 119,561               |
|   | <u>1,079,200</u>        | <u>516,379</u>        | <u>1,066,641</u>        | <u>506,036</u>        |
| Less: Deferred tax assets*                        | (3,627)                 | (3,580)               | (3,627)                 | (3,503)               |
| <b>Total CET 1 Capital / Total Tier 1 Capital</b> | <b><u>1,075,573</u></b> | <b><u>512,799</u></b> | <b><u>1,063,014</u></b> | <b><u>502,533</u></b> |
| <u>Tier-2 capital</u>                             |                         |                       |                         |                       |
| Collective impairment allowance                   | 26,962                  | 25,066                | 26,962                  | 25,066                |
| <b>Total Tier-2 Capital</b>                       | <b><u>26,962</u></b>    | <b><u>25,066</u></b>  | <b><u>26,962</u></b>    | <b><u>25,066</u></b>  |
| Less: Investment in subsidiary company            | -                       | -                     | (1,000)                 | (1,000)               |
| <b>Total Capital Base</b>                         | <b><u>1,102,535</u></b> | <b><u>537,865</u></b> | <b><u>1,088,976</u></b> | <b><u>526,599</u></b> |

\* Under Bank Negara Malaysia Guideline, deferred tax assets shall be deducted in the calculation of CET1 Capital.

|                       | <u>GROUP</u> |         | <u>BANK</u> |         |
|-----------------------|--------------|---------|-------------|---------|
|                       | 2014         | 2013    | 2014        | 2013    |
| <u>Capital ratios</u> |              |         |             |         |
| CET 1 Capital Ratio   | 21.684%      | 13.597% | 21.570%     | 13.415% |
| Tier 1 Capital Ratio  | 21.684%      | 13.597% | 21.570%     | 13.415% |
| Total Capital Ratio   | 22.228%      | 14.262% | 22.097%     | 14.058% |

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

|                  | <u>GROUP</u>     |                  | <u>BANK</u>      |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 2014<br>RM'000   | 2013<br>RM'000   | 2014<br>RM'000   | 2013<br>RM'000   |
| Credit risk      | 4,662,667        | 3,560,008        | 4,658,214        | 3,555,948        |
| Market risk      | 9,599            | 17,576           | 9,599            | 17,576           |
| Operational risk | 287,921          | 193,733          | 260,424          | 172,464          |
|                  | <u>4,960,187</u> | <u>3,771,317</u> | <u>4,928,237</u> | <u>3,745,988</u> |

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**33. FINANCIAL RISK MANAGEMENT**

(a) Financial risk management

The objectives of the Bank's financial risk management is to establish an integrated risk management system which will help evaluate risk with reward and maximise income within an acceptable risk level through risk identification, measurement, monitoring and management.

The Board of Directors and the holding company, Bank of China Limited approves the extent of the Bank's risk appetite in the pursuit of agreed business strategies and objectives. The Board of Directors also approves risk limits and regularly reviews major policies designed to control risk within the Bank.

(b) Credit Risk

Credit risk is the risk of financial loss that results from customers failing to meet their obligations. Credit risk arises primarily from lending activities and represents the major risk of the Bank. The Board of Directors of the Bank approves major policies and limits that govern monitoring of the credit risk. The Board of Directors delegates authorities to the Risk Management and Internal Control Committee ('RMICC') for overseeing the credit risk of the Bank.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to one borrower, or group of borrowers and industry segments. Such risks are monitored on a regular basis and are subject to annual or more frequent review. Limits on the single customer, by group of customers, by industry sectors and other procedures set by the relevant authorities and holding company were adopted by the Bank for monitoring of the credit risks.

**Maximum exposure to credit risk**

For financial assets recognised in the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or credit enhancements equals their carrying amount in the statement of financial position. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

(i) Maximum exposure to credit risk (Continued)

|  | <u>GROUP</u>      |                   | <u>BANK</u>       |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2014<br>RM'000    | 2013<br>RM'000    | 2014<br>RM'000    | 2013<br>RM'000    |
| <u>Items recognised in the statements of financial position</u>        |                   |                   |                   |                   |
| Cash and short-term funds<br>(exclude cash in hand)                    | 3,594,064         | 4,449,257         | 3,590,299         | 4,446,608         |
| Deposits and placements with<br>banks and other financial institutions | 456,101           | 1,347,112         | 456,101           | 1,347,112         |
| Held-to-maturity securities  | 529,158           | 252,459           | 529,158           | 252,459           |
| Loans and advances   | 5,052,027         | 2,796,973         | 5,052,027         | 2,796,973         |
| Statutory deposits with<br>Bank Negara Malaysia                        | 77,200            | 77,800            | 77,200            | 77,800            |
| Derivative assets  | 1,790             | 1,222             | 1,790             | 1,222             |
|  | <u>9,710,340</u>  | <u>8,924,823</u>  | <u>9,706,575</u>  | <u>8,922,174</u>  |
| <u>Items not recognised in the statements of financial position</u>    |                   |                   |                   |                   |
| Contingent liabilities   | 1,330,261         | 1,182,839         | 1,330,261         | 1,182,839         |
| Credit commitments   | 1,537,447         | 1,073,978         | 1,537,447         | 1,073,978         |
| Foreign exchange related contracts                                     | 1,269,346         | 327,624           | 1,269,346         | 327,624           |
| Total maximum credit risk exposure                                     | <u>13,847,394</u> | <u>11,509,264</u> | <u>13,843,629</u> | <u>11,506,615</u> |

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans and advances for the Group and of the Bank is 90% (31 December 2013: 85%). The financial effect of collateral held for the other financial assets are insignificant.



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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

The following tables set out the credit risk concentrations by sector:

| <u>GROUP</u><br><u>2014</u>                           | Short-term funds<br>and placements<br>with financial<br>institutions<br>RM'000 | Financial<br>investment<br>held-to-maturity<br>RM'000 | Loans and<br>advances<br>RM'000 | Other assets<br>RM'000 | On-balance<br>sheet total<br>RM'000 | Commitments<br>and<br>Contingencies<br>RM'000 |
|---|--|---|---------------------------------|------------------------|-------------------------------------|---|
| Primary agriculture                                   | -  | -   | 214,822                         | -                      | 214,822                             | 16,939  |
| Mining and quarrying                                  | -  | -   | 51,933                          | -                      | 51,933                              | 9,941   |
| Manufacturing   | -  | -   | 1,471,435                       | -                      | 1,471,435                           | 205,985                                       |
| Electricity, gas and water supply                     | -  | -   | 32,392                          | -                      | 32,392                              | 5,240   |
| Construction  | -  | -   | 342,516                         | -                      | 342,516                             | 382,108                                       |
| Real estate   | -  | -   | 991,316                         | -                      | 991,316                             | 62,067  |
| Research and Development                              | -  | -   | 555                             | -                      | 555                                 | 22  |
| Wholesale and retail trade and restaurants and hotels | -  | -   | 907,478                         | -                      | 907,478                             | 35,168  |
| Transport, storage and communication                  | -  | -   | 100,577                         | -                      | 100,577                             | 223,020                                       |
| Finance, insurance and business services              | 2,347,930  | 80,297  | 241,302                         | 1,790                  | 2,671,319                           | 37,837  |
| Household   | -  | -   | 700,123                         | -                      | 700,123                             | 110,720                                       |
| Government and government agencies                    | 1,702,235  | 448,861   | -                               | 77,200                 | 2,228,296                           | -   |
| Education, health and others                          | -  | -   | 5,135                           | -                      | 5,135                               | 771   |
| Others  | -  | -   | 20,304                          | -                      | 20,304                              | 30,180  |
|   | 4,050,165  | 529,158   | 5,079,888                       | 78,990                 | 9,738,201                           | 1,119,998                                     |
| Assets not subject to credit risk                     | 15,516   | -   | -                               | 50,520                 | 66,036                              | -   |
|   | 4,065,681  | 529,158   | 5,079,888 <sup>^</sup>          | 129,510 <sup>#</sup>   | 9,804,237                           | 1,119,998                                     |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.

<sup>#</sup> Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets, derivative assets and tax recoverable.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

The following tables set out the credit risk concentrations by sector:

| <u>GROUP</u><br><u>2013</u>                           | <u>Short-term funds<br/>and placements<br/>with financial<br/>institutions</u><br>RM'000 | <u>Financial<br/>investment<br/>held-to-maturity</u><br>RM'000 | <u>Loans and<br/>advances</u><br>RM'000 | <u>Other assets</u><br>RM'000 | <u>On-balance<br/>sheet total</u><br>RM'000 | <u>Commitments<br/>and<br/>Contingencies</u><br>RM'000 |
|---|--|--|---|-------------------------------|---|--|
| Primary agriculture                                   | -  | -  | 139,992                                 | -                             | 139,992                                     | 13,103   |
| Mining and quarrying                                  | -  | -  | 28,045                                  | -                             | 28,045                                      | 7,928  |
| Manufacturing   | -  | -  | 602,817                                 | -                             | 602,817                                     | 127,067  |
| Electricity, gas and water supply                     | -  | -  | -                                       | -                             | -   | 2,257  |
| Construction  | -  | -  | 277,384                                 | -                             | 277,384                                     | 168,656  |
| Real estate   | -  | -  | 570,594                                 | -                             | 570,594                                     | 26,249   |
| Research and Development                              | -  | -  | 1,729                                   | -                             | 1,729                                       | 21   |
| Wholesale and retail trade and restaurants and hotels | -  | -  | 125,708                                 | -                             | 125,708                                     | 28,121   |
| Transport, storage and communication                  | -  | -  | 66,422                                  | -                             | 66,422                                      | 342,349  |
| Finance, insurance and business services              | 4,807,835  | 45,024   | 103,752                                 | 1,222                         | 4,957,833                                   | 15,618   |
| Household   | -  | -  | 359,025                                 | -                             | 359,025                                     | 71,743   |
| Government and government agencies                    | 988,534  | 207,435  | -                                       | 77,847                        | 1,273,816                                   | -  |
| Education, health and others                          | -  | -  | 4,257                                   | -                             | 4,257                                       | 876  |
| Others  | -  | -  | 543,213                                 | -                             | 543,213                                     | 82,898   |
|   | 5,796,369  | 252,459  | 2,822,938                               | 79,069                        | 8,950,835                                   | 886,886  |
| Assets not subject to credit risk                     | 14,418   | -  | -                                       | 33,924                        | 48,342                                      | -  |
|   | <u>5,810,787</u>   | <u>252,459</u>   | <u>2,822,938<sup>^</sup></u>            | <u>112,993<sup>#</sup></u>    | <u>8,999,177</u>                            | <u>886,886</u>   |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM25,066,172 and RM898,666 respectively.

<sup>#</sup> Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets, derivative assets and tax recoverable.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

The following tables set out the credit risk concentrations by sector:

| <u>BANK</u><br><u>2014</u>                            | Short-term funds<br>and placements<br>with financial<br>institutions<br>RM'000 | Financial<br>investment<br>held-to-maturity<br>RM'000 | Loans and<br>advances<br>RM'000 | Other assets<br>RM'000 | On-balance<br>sheet total<br>RM'000 | Commitments<br>and<br>Contingencies<br>RM'000 |
|---|--|---|---------------------------------|------------------------|-------------------------------------|---|
| Primary agriculture                                   | -  | -   | 214,822                         | -                      | 214,822                             | 16,939  |
| Mining and quarrying                                  | -  | -   | 51,933                          | -                      | 51,933                              | 9,941   |
| Manufacturing   | -  | -   | 1,471,435                       | -                      | 1,471,435                           | 205,985                                       |
| Electricity, gas and water supply                     | -  | -   | 32,392                          | -                      | 32,392                              | 5,240   |
| Construction  | -  | -   | 342,516                         | -                      | 342,516                             | 382,108                                       |
| Real estate   | -  | -   | 991,316                         | -                      | 991,316                             | 62,067  |
| Research and Development                              | -  | -   | 555                             | -                      | 555                                 | 22  |
| Wholesale and retail trade and restaurants and hotels | -  | -   | 907,478                         | -                      | 907,478                             | 35,168  |
| Transport, storage and communication                  | -  | -   | 100,577                         | -                      | 100,577                             | 223,020                                       |
| Finance, insurance and business services              | 2,344,165  | 80,297  | 241,302                         | 1,790                  | 2,667,554                           | 37,837  |
| Household   | -  | -   | 700,123                         | -                      | 700,123                             | 110,720                                       |
| Government and government agencies                    | 1,702,235  | 448,861   | -                               | 77,200                 | 2,228,296                           | -   |
| Education, health and others                          | -  | -   | 5,135                           | -                      | 5,135                               | 771   |
| Others  | -  | -   | 20,304                          | -                      | 20,304                              | 30,180  |
|   | 4,046,400  | 529,158   | 5,079,888                       | 78,990                 | 9,734,436                           | 1,119,998                                     |
| Assets not subject to credit risk                     | 15,514   | -   | -                               | 47,766                 | 63,280                              | -   |
|   | 4,061,914  | 529,158   | 5,079,888 <sup>^</sup>          | 126,756 <sup>#</sup>   | 9,797,716                           | 1,119,998                                     |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.

<sup>#</sup> Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets, derivative assets and tax recoverable.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

The following tables set out the credit risk concentrations by sector:

| <u>BANK</u><br><u>2013</u>                            | Short-term funds<br>and placements<br>with financial<br>institutions<br>RM'000 | Financial<br>investment<br>held-to-maturity<br>RM'000 | Loans and<br>advances<br>RM'000 | Other assets<br>RM'000 | On-balance<br>sheet total<br>RM'000 | Commitments<br>and<br>Contingencies<br>RM'000 |
|---|--|---|---------------------------------|------------------------|-------------------------------------|---|
| Primary agriculture                                   | -  | -   | 139,992                         | -                      | 139,992                             | 13,103  |
| Mining and quarrying                                  | -  | -   | 28,045                          | -                      | 28,045                              | 7,928   |
| Manufacturing   | -  | -   | 602,817                         | -                      | 602,817                             | 127,067                                       |
| Electricity, gas and water supply                     | -  | -   | -                               | -                      | -                                   | 2,257   |
| Construction  | -  | -   | 277,384                         | -                      | 277,384                             | 168,656                                       |
| Real estate   | -  | -   | 570,594                         | -                      | 570,594                             | 26,249  |
| Research and Development                              | -  | -   | 1,729                           | -                      | 1,729                               | 21  |
| Wholesale and retail trade and restaurants and hotels | -  | -   | 125,708                         | -                      | 125,708                             | 28,121  |
| Transport, storage and communication                  | -  | -   | 66,422                          | -                      | 66,422                              | 342,349                                       |
| Finance, insurance and business services              | 4,805,186  | 45,024  | 103,752                         | 1,222                  | 4,955,184                           | 15,618  |
| Household   | -  | -   | 359,025                         | -                      | 359,025                             | 71,743  |
| Government and government agencies                    | 988,534  | 207,435   | -                               | 77,847                 | 1,273,816                           | -   |
| Education, health and others                          | -  | -   | 4,257                           | -                      | 4,257                               | 876   |
| Others  | -  | -   | 543,213                         | -                      | 543,213                             | 82,898  |
|   | 5,793,720  | 252,459   | 2,822,938                       | 79,069                 | 8,948,186                           | 886,886                                       |
| Assets not subject to credit risk                     | 14,415   | -   | -                               | 31,318                 | 45,733                              | -   |
|   | 5,808,135  | 252,459   | 2,822,938 <sup>^</sup>          | 110,387 <sup>#</sup>   | 8,993,919                           | 886,886                                       |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM25,066,172 and RM898,666 respectively.

<sup>#</sup> Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets, derivative assets and tax recoverable.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

(ii) Collateral

Where possible, the Bank takes collateral as a secondary recourse to the borrower. Collaterals include properties, debentures, stock and shares, fixed deposits and cash margin.

(iii) Loans and advances

Loans and advances are summarised as follows:

|                                       | <u>GROUP AND BANK</u>   |                         |
|---------------------------------------|-------------------------|-------------------------|
|                                       | 2014                    | 2013                    |
|                                       | RM'000                  | RM'000                  |
| Neither past due nor impaired         | 4,949,309               | 2,781,797               |
| Past due but not impaired             | 113,614                 | 28,800                  |
| Impaired                              | 16,965                  | 12,341                  |
| Gross loans, advances and financing   | <u>5,079,888</u>        | <u>2,822,938</u>        |
| Less: Individual impairment allowance | (899)                   | (899)                   |
| Collective impairment allowance       | <u>(26,962)</u>         | <u>(25,066)</u>         |
| Net loans and advances                | <u><u>5,052,027</u></u> | <u><u>2,796,973</u></u> |

**Loans and advances neither past due nor impaired**

Gross loans and advances which are neither past due nor impaired are identified into the following credit levels:

- "AAA – A" refers to customers have a good credit status, low probability of default within the next year, strong repayment capability and limited credit risks.
- "BBB – B" refers to customers have a good credit status, relatively low probability of default within the next year, guaranteed repayment capability and uncertainties in their risk.
- "CCC – C" refers to customers have a poor credit status, high probability of defaults within the next year, poor operating condition and financial status and significant credit risks.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

(iii) Loans and advances (Continued)

The following table sets out an analysis of loans and advances by internal credit grading which are neither past due nor impaired.

|         | <u>GROUP AND BANK</u> |                  |
|---------|-----------------------|------------------|
|         | 2014                  | 2013             |
|         | RM'000                | RM'000           |
| AAA - A | 1,844,249             | 1,115,280        |
| BBB - B | 986,532               | 796,197          |
| CCC - C | 47,869                | 74,587           |
| Unrated | 2,070,659             | 795,733          |
|         | <u>4,949,309</u>      | <u>2,781,797</u> |

Loans and advances classified as non-rated mainly comprise of personal loans, cash backed facilities and other non-rated loans.

**Loans and advances past due but not impaired**

The following table sets out the ageing of loans and advances which are past due and for which no individual impairment allowance has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired. Individual impairment allowance is generally raised at 90 days past due and any other events occurred as per the policies.

|                               | <u>GROUP AND BANK</u> |               |
|-------------------------------|-----------------------|---------------|
|                               | 2014                  | 2013          |
|                               | RM'000                | RM'000        |
| Between 1 – 30 days past due  | 102,871               | 878           |
| Between 31 – 60 days past due | 9,955                 | 18,824        |
| Between 61 – 90 days past due | 788                   | 9,098         |
|                               | <u>113,614</u>        | <u>28,800</u> |

**Loans and advances impaired**

Loans and advances that are individually determined to be impaired as at 31 December 2014 are as follows:

|            | <u>GROUP AND BANK</u> |               |
|------------|-----------------------|---------------|
|            | 2014                  | 2013          |
|            | RM'000                | RM'000        |
| Corporate  | 13,949                | 12,208        |
| Individual | 3,016                 | 133           |
|            | <u>16,965</u>         | <u>12,341</u> |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

(iii) Loans and advances (Continued)

**Financial assets other than loans and advances**

All financial assets other than loans and advances for the Group and the Bank were neither past due nor impaired.

The tables below presents an analysis of financial assets other than loans and advances by rating agency designation as at 31 December 2014, based on Moody's ratings or their equivalent:

|                                  | Cash and<br>short term<br>funds | Deposits and<br>placements<br>with banks<br>and other FIs | Financial<br>investment<br>held-to-<br>maturity | Other<br>assets |
|----------------------------------|---------------------------------|---|---|-----------------|
|                                  | RM'000                          | RM'000  | RM'000  | RM'000          |
| <b><u>GROUP</u></b>              |                                 |   |   |                 |
| <b><u>2014</u></b>               |                                 |   |   |                 |
| Aa3/A-/A                         | 333,147                         | -   | -   | -               |
| A1/BBB+                          | 1,514,850                       | 279,775   | -   | -               |
| A3                               | 43,832                          | -   | 80,297  | -               |
| Baa1/Ba2                         | -                               | 176,326   | -   | -               |
| Unrated                          |                                 |   |   |                 |
| - Bank Negara Malaysia/sovereign | 1,702,235                       | -   | 448,861   | 77,200          |
| - Others                         | 15,516                          | -   | -   | 1,790           |
|                                  | <u>3,609,580</u>                | <u>456,101</u>  | <u>529,158</u>                                  | <u>78,990</u>   |
| <br>                             |                                 |   |   |                 |
| <b><u>2013</u></b>               |                                 |   |   |                 |
| Aa3/A-/A                         | 147,972                         | -   | -   | -               |
| A1/BBB+                          | 3,310,096                       | 1,347,112   | -   | -               |
| A3                               | 2,655                           | -   | 45,024  | -               |
| Unrated                          |                                 |   |   |                 |
| - Bank Negara Malaysia/sovereign | 988,534                         | -   | 207,435   | 77,800          |
| - Others                         | 14,418                          | -   | -   | 1,222           |
|                                  | <u>4,463,675</u>                | <u>1,347,112</u>  | <u>252,459</u>                                  | <u>79,022</u>   |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Credit risk (Continued)

(iii) Loans and advances (Continued)

**Financial assets other than loans and advances (Continued)**

|                                  | Cash and<br>short term<br>funds | Deposits and<br>placements<br>with banks<br>and other FIs | Financial<br>investment<br>held-to-<br>maturity | Other<br>assets |
|----------------------------------|---------------------------------|---|---|-----------------|
|                                  | RM'000                          | RM'000  | RM'000  | RM'000          |
| <b><u>BANK</u></b>               |                                 |   |   |                 |
| <b><u>2014</u></b>               |                                 |   |   |                 |
| Aa3/A-/A                         | 333,147                         | -   | -   | -               |
| A1/BBB+                          | 1,514,850                       | 279,775   | -   | -               |
| A3                               | 40,067                          | -   | 80,297  | -               |
| Baa1/Ba2                         | -                               | 176,326   | -   | -               |
| Unrated                          |                                 |   |   |                 |
| - Bank Negara Malaysia/sovereign | 1,702,235                       | -   | 448,861   | 77,200          |
| - Others                         | 15,514                          | -   | -   | 1,790           |
|                                  | <u>3,605,813</u>                | <u>456,101</u>  | <u>529,158</u>                                  | <u>78,990</u>   |
| <br>                             |                                 |   |   |                 |
| <b><u>2013</u></b>               |                                 |   |   |                 |
| Aa3/A-/A                         | 147,972                         | -   | -   | -               |
| A1/BBB+                          | 3,310,096                       | 1,347,112   | -   | -               |
| A3                               | 6                               | -   | 45,024  | -               |
| Unrated                          |                                 |   |   |                 |
| - Bank Negara Malaysia/sovereign | 988,534                         | -   | 207,435   | 77,800          |
| - Others                         | 14,415                          | -   | -   | 1,222           |
|                                  | <u>4,461,023</u>                | <u>1,347,112</u>  | <u>252,459</u>                                  | <u>79,022</u>   |



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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(c) Liquidity Risk

Liquidity risk is the potential inability of the Bank to meet its payment obligations. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives.

The objective of the liquidity policy of the Bank is to ensure that the Bank is able to meet its financial obligations, whether such obligations are scheduled or unforeseen. The Bank has set a limit on the minimum proportion of maturing funds available to meet such calls, and complies with the limits set by Bank Negara Malaysia under the Liquidity Framework and relevant procedures set by the holding company.

The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2014 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

| <u>GROUP</u>   | Within<br><u>1 week</u> | >1 week<br><u>to 1 month</u> | >1-3<br><u>months</u> | >3-6<br><u>months</u> | >6-12<br><u>months</u> | Over<br><u>1 year</u> | <u>Total</u>           |
|--|-------------------------|------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
| 2014   | RM'000                  | RM'000                       | RM'000                | RM'000                | RM'000                 | RM'000                | RM'000                 |
| Cash and short-term funds  | 2,642,198               | 967,382                      | -                     | -                     | -                      | -                     | 3,609,580              |
| Deposits and placements with banks<br>and other financial institutions | -                       | -                            | 367,661               | 56,291                | 32,149                 | -                     | 456,101                |
| Derivatives assets   | 272                     | -                            | 1,518                 | -                     | -                      | -                     | 1,790                  |
| Held-to-maturity securities  | 50,250                  | 31,513                       | 42,821                | 782                   | 204,480                | 199,312               | 529,158                |
| Gross loans and advances   | 311,236                 | 1,191,361                    | 941,948               | 705,637               | 208,295                | 1,721,411             | 5,079,888 <sup>^</sup> |
| Other assets   | 12,068                  | 677                          | 261                   | 560                   | 11,976                 | 102,178               | 127,720                |
| <b>Total assets</b>  | <b>3,016,024</b>        | <b>2,190,933</b>             | <b>1,354,209</b>      | <b>763,270</b>        | <b>456,900</b>         | <b>2,022,901</b>      | <b>9,804,237</b>       |
| Deposits from customers  | 1,237,342               | 1,258,545                    | 1,050,700             | 333,540               | 788,278                | 50,239                | 4,718,644              |
| Deposits and placements of banks<br>and other financial institutions   | 497,080                 | 1,142,336                    | 1,418,698             | 2,126                 | 494,398                | 354,366               | 3,909,004              |
| Derivatives liabilities  | 322                     | -                            | 1,484                 | -                     | -                      | -                     | 1,806                  |
| Other liabilities  | 38,653                  | 7,522                        | -                     | -                     | 21,547                 | -                     | 67,722                 |
| <b>Total liabilities</b>   | <b>1,773,397</b>        | <b>2,408,403</b>             | <b>2,470,882</b>      | <b>335,666</b>        | <b>1,304,223</b>       | <b>404,605</b>        | <b>8,697,176</b>       |
| Net liquidity gap - Total assets less<br>total liabilities             | 1,242,627               | (217,470)                    | (1,116,673)           | 427,604               | (847,323)              | 1,618,296             | 1,107,061              |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.

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NOTES TO THE FINANCIAL STATEMENTS  
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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2013 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

| <u>GROUP</u><br>2013   | Within<br><u>1 week</u><br>RM'000 | >1 week<br><u>to 1 month</u><br>RM'000 | >1-3<br><u>months</u><br>RM'000 | >3-6<br><u>months</u><br>RM'000 | >6-12<br><u>months</u><br>RM'000 | Over<br><u>1 year</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|-----------------------------------|--|---------------------------------|---------------------------------|----------------------------------|---------------------------------|------------------------|
| Cash and short-term funds  | 2,112,078                         | 2,351,597                              | -                               | -                               | -                                | -                               | 4,463,675              |
| Deposits and placements with banks<br>and other financial institutions | -                                 | -                                      | 347,693                         | -                               | 999,419                          | -                               | 1,347,112              |
| Derivatives assets   | 794                               | -                                      | -                               | 428                             | -                                | -                               | 1,222                  |
| Held-to-maturity securities  | -                                 | 46,490                                 | 513                             | 445                             | -                                | 205,011                         | 252,459                |
| Gross loans and advances   | 351,202                           | 85,518                                 | 516,866                         | 52,389                          | 37,722                           | 1,779,241                       | 2,822,938 <sup>^</sup> |
| Other assets   | 11,596                            | 52                                     | 692                             | -                               | 3,580                            | 95,851                          | 111,771                |
| <b>Total assets</b>  | <b>2,475,670</b>                  | <b>2,483,657</b>                       | <b>865,764</b>                  | <b>53,262</b>                   | <b>1,040,721</b>                 | <b>2,080,103</b>                | <b>8,999,177</b>       |
| Deposits from customers  | 956,514                           | 942,512                                | 347,211                         | 333,796                         | 624,937                          | 501                             | 3,205,471              |
| Deposits and placements of banks<br>and other financial institutions   | 642,473                           | 2,083,895                              | 342,872                         | 590,320                         | 1,414,032                        | -                               | 5,073,592              |
| Derivatives liabilities  | 712                               | -                                      | -                               | -                               | -                                | -                               | 712                    |
| Other liabilities  | 152,018                           | 6,405                                  | 70                              | -                               | 18,565                           | -                               | 177,058                |
| <b>Total liabilities</b>   | <b>1,751,717</b>                  | <b>3,032,812</b>                       | <b>690,153</b>                  | <b>924,116</b>                  | <b>2,057,534</b>                 | <b>501</b>                      | <b>8,456,833</b>       |
| Net liquidity gap - Total assets less<br>total liabilities             | 723,953                           | (549,155)                              | 175,611                         | (870,854)                       | (1,016,813)                      | 2,079,602                       | 542,344                |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM25,066,172 and RM898,666 respectively.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2014 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

| <u>BANK</u>  | Within<br><u>1 week</u> | >1 week<br><u>to 1 month</u> | >1-3<br><u>months</u> | >3-6<br><u>months</u> | >6-12<br><u>months</u> | Over<br><u>1 year</u> | <u>Total</u>           |
|--|-------------------------|------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
| 2014   | RM'000                  | RM'000                       | RM'000                | RM'000                | RM'000                 | RM'000                | RM'000                 |
| Cash and short-term funds  | 2,638,431               | 967,382                      | -                     | -                     | -                      | -                     | 3,605,813              |
| Deposits and placements with banks<br>and other financial institutions | -                       | -                            | 367,661               | 56,291                | 32,149                 | -                     | 456,101                |
| Derivatives assets   | 272                     | -                            | 1,518                 | -                     | -                      | -                     | 1,790                  |
| Held-to-maturity securities  | 50,250                  | 31,513                       | 42,821                | 782                   | 204,480                | 199,312               | 529,158                |
| Gross loans and advances   | 311,236                 | 1,191,361                    | 941,948               | 705,637               | 208,295                | 1,721,411             | 5,079,888 <sup>^</sup> |
| Other assets   | 11,618                  | 677                          | 261                   | 560                   | 11,976                 | 99,874                | 124,966                |
| <b>Total assets</b>  | <b>3,011,807</b>        | <b>2,190,933</b>             | <b>1,354,209</b>      | <b>763,270</b>        | <b>456,900</b>         | <b>2,020,597</b>      | <b>9,797,716</b>       |
| Deposits from customers  | 1,246,074               | 1,258,545                    | 1,050,700             | 333,540               | 788,278                | 50,239                | 4,727,376              |
| Deposits and placements of banks<br>and other financial institutions   | 497,080                 | 1,142,336                    | 1,418,698             | 2,126                 | 494,398                | 354,366               | 3,909,004              |
| Derivatives liabilities  | 322                     | -                            | 1,484                 | -                     | -                      | -                     | 1,806                  |
| Other liabilities  | 37,348                  | 7,532                        | 20                    | -                     | 20,128                 | -                     | 65,028                 |
| <b>Total liabilities</b>   | <b>1,780,824</b>        | <b>2,408,413</b>             | <b>2,470,902</b>      | <b>335,666</b>        | <b>1,302,804</b>       | <b>404,605</b>        | <b>8,703,214</b>       |
| Net liquidity gap - Total assets less<br>total liabilities             | 1,230,983               | (217,480)                    | (1,116,693)           | 427,604               | (845,904)              | 1,615,992             | 1,094,502              |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below analyses assets and liabilities (includes non financial instruments) as at 31 December 2013 based on the remaining contractual maturity is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

| <u>BANK</u>  | Within<br><u>1 week</u> | >1 week<br><u>to 1 month</u> | >1-3<br><u>months</u> | >3-6<br><u>months</u> | >6-12<br><u>months</u> | Over<br><u>1 year</u> | <u>Total</u>           |
|--|-------------------------|------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
| 2013   | RM'000                  | RM'000                       | RM'000                | RM'000                | RM'000                 | RM'000                | RM'000                 |
| Cash and short-term funds  | 2,109,426               | 2,351,597                    | -                     | -                     | -                      | -                     | 4,461,023              |
| Deposits and placements with banks<br>and other financial institutions | -                       | -                            | 347,693               | -                     | 999,419                | -                     | 1,347,112              |
| Derivatives assets   | 794                     | -                            | -                     | 428                   | -                      | -                     | 1,222                  |
| Held-to-maturity securities  | -                       | 46,490                       | 513                   | 445                   | -                      | 205,011               | 252,459                |
| Gross loans and advances   | 351,202                 | 85,518                       | 516,866               | 52,389                | 37,722                 | 1,779,241             | 2,822,938 <sup>^</sup> |
| Other assets   | 11,250                  | 52                           | 692                   | -                     | 3,503                  | 93,668                | 109,165                |
| <b>Total assets</b>  | <b>2,472,672</b>        | <b>2,483,657</b>             | <b>865,764</b>        | <b>53,262</b>         | <b>1,040,644</b>       | <b>2,077,920</b>      | <b>8,993,919</b>       |
| Deposits from customers  | 964,557                 | 942,512                      | 347,211               | 333,796               | 624,937                | 501                   | 3,213,514              |
| Deposits and placements of banks<br>and other financial institutions   | 642,473                 | 2,083,895                    | 342,872               | 590,320               | 1,414,032              | -                     | 5,073,592              |
| Derivatives liabilities  | 712                     | -                            | -                     | -                     | -                      | -                     | 712                    |
| Other liabilities  | 150,566                 | 6,416                        | 20                    | 30                    | 17,068                 | -                     | 174,100                |
| <b>Total liabilities</b>   | <b>1,758,308</b>        | <b>3,032,823</b>             | <b>690,103</b>        | <b>924,146</b>        | <b>2,056,037</b>       | <b>501</b>            | <b>8,461,918</b>       |
| Net liquidity gap - Total assets less<br>total liabilities             | 714,364                 | (549,166)                    | 175,661               | (870,884)             | (1,015,393)            | 2,077,419             | 532,001                |

<sup>^</sup> Excludes collective impairment allowance and individual impairment allowance amounting to RM25,066,172 and RM898,666 respectively.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below will not agree to the balances reported in the statements of financial position.

| <u>GROUP</u>   | Within<br><u>1 week</u> | >1 week<br><u>to 1 month</u> | >1-3<br><u>months</u> | >3-6<br><u>months</u> | >6-12<br><u>months</u> | Over<br><u>1 year</u> | <u>Total</u>     |
|--|-------------------------|------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------|
| <b>2014</b>  | RM'000                  | RM'000                       | RM'000                | RM'000                | RM'000                 | RM'000                | RM'000           |
| <u>Financial liabilities</u>   |                         |                              |                       |                       |                        |                       |                  |
| Deposits from customers  | 1,237,537               | 1,260,823                    | 1,056,037             | 337,634               | 810,271                | 53,111                | 4,755,413        |
| Deposits and placements of banks<br>and other financial institutions | 497,249                 | 1,144,736                    | 1,419,735             | 2,129                 | 507,825                | 387,642               | 3,959,316        |
| Derivatives liabilities  | 322                     | -                            | 1,484                 | -                     | -                      | -                     | 1,806            |
| Other liabilities  | 38,654                  | 7,522                        | -                     | -                     | 21,555                 | -                     | 67,731           |
|  | <u>1,773,762</u>        | <u>2,413,081</u>             | <u>2,477,256</u>      | <u>339,763</u>        | <u>1,339,651</u>       | <u>440,753</u>        | <u>8,784,266</u> |
| <b>2013</b>  |                         |                              |                       |                       |                        |                       |                  |
| <u>Financial liabilities</u>   |                         |                              |                       |                       |                        |                       |                  |
| Deposits from customers  | 956,655                 | 944,081                      | 349,131               | 340,172               | 641,142                | 536                   | 3,231,717        |
| Deposits and placements of banks<br>and other financial institutions | 642,633                 | 2,086,564                    | 344,334               | 598,103               | 1,449,573              | -                     | 5,121,207        |
| Derivatives liabilities  | 712                     | -                            | -                     | -                     | -                      | -                     | 712              |
| Other liabilities  | 152,017                 | 6,401                        | 70                    | -                     | 3,235                  | -                     | 161,723          |
|  | <u>1,752,017</u>        | <u>3,037,046</u>             | <u>693,535</u>        | <u>938,275</u>        | <u>2,093,950</u>       | <u>536</u>            | <u>8,515,359</u> |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below will not agree to the balances reported in the statements of financial position.

| <u>BANK</u>  | Within<br><u>1 week</u> | >1 week<br><u>to 1 month</u> | >1-3<br><u>months</u> | >3-6<br><u>months</u> | >6-12<br><u>months</u> | Over<br><u>1 year</u> | <u>Total</u>     |
|--|-------------------------|------------------------------|-----------------------|-----------------------|------------------------|-----------------------|------------------|
| <b>2014</b>  | RM'000                  | RM'000                       | RM'000                | RM'000                | RM'000                 | RM'000                | RM'000           |
| <u>Financial liabilities</u>   |                         |                              |                       |                       |                        |                       |                  |
| Deposits from customers  | 1,246,269               | 1,260,823                    | 1,056,037             | 337,634               | 810,271                | 53,111                | 4,764,145        |
| Deposits and placements of banks<br>and other financial institutions | 497,249                 | 1,144,736                    | 1,419,735             | 2,129                 | 507,825                | 387,642               | 3,959,316        |
| Derivatives liabilities  | 322                     | -                            | 1,484                 | -                     | -                      | -                     | 1,806            |
| Other liabilities  | 37,349                  | 7,532                        | 20                    | -                     | 20,135                 | -                     | 65,036           |
|  | <u>1,781,189</u>        | <u>2,413,091</u>             | <u>2,477,276</u>      | <u>339,763</u>        | <u>1,338,231</u>       | <u>440,753</u>        | <u>8,790,303</u> |
| <b>2013</b>  |                         |                              |                       |                       |                        |                       |                  |
| <u>Financial liabilities</u>   |                         |                              |                       |                       |                        |                       |                  |
| Deposits from customers  | 964,698                 | 944,081                      | 349,131               | 340,172               | 641,142                | 536                   | 3,239,760        |
| Deposits and placements of banks<br>and other financial institutions | 642,633                 | 2,086,564                    | 344,334               | 598,103               | 1,449,573              | -                     | 5,121,207        |
| Derivatives liabilities  | 712                     | -                            | -                     | -                     | -                      | -                     | 712              |
| Other liabilities  | 150,566                 | 6,411                        | 20                    | 30                    | 2,942                  | -                     | 159,969          |
|  | <u>1,758,609</u>        | <u>3,037,056</u>             | <u>693,485</u>        | <u>938,305</u>        | <u>2,093,657</u>       | <u>536</u>            | <u>8,521,648</u> |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (Continued)**

The following table presents the contractual expiry by maturity of the Group's and of the Bank's commitments and contingencies:

|   | <u>Less</u><br><u>than 1 year</u><br>RM'000 | <u>2014</u><br><u>Over</u><br><u>1 year</u><br>RM'000 | <u>Total</u><br>RM'000 | <u>Less</u><br><u>than 1 year</u><br>RM'000 | <u>2013</u><br><u>Over</u><br><u>1 year</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|---|---|------------------------|---|---|------------------------|
| Direct credit substitutes                               | -   | 73,805  | 73,805                 | -   | 71,170  | 71,170                 |
| Transaction-related contingent items                    | 703,359                                     | 530,737   | 1,234,096              | 731,480                                     | 375,900   | 1,107,380              |
| Short-term self-liquidating trade-related contingencies | 22,360                                      | -   | 22,360                 | 4,289                                       | -   | 4,289                  |
| Irrevocable commitments to extend credit                | 1,187,031                                   | 350,416   | 1,537,447              | 926,666                                     | 147,312   | 1,073,978              |
| Foreign exchange related contracts                      | 1,269,346                                   | -   | 1,269,346              | 327,624                                     | -   | 327,624                |
|   | <u>3,182,096</u>                            | <u>954,958</u>  | <u>4,137,054</u>       | <u>1,990,059</u>                            | <u>594,382</u>  | <u>2,584,441</u>       |

The above commitments and contingencies are available for draw down or could be called upon within a period of less than one year.



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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(d) Market Risk

Market risk arises from adverse movements in the level and volatility of market factors such as interest rates, foreign exchange rates which will have an effect on the balance sheet structure in terms of liquidity and funding.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates and foreign exchange rates on its financial position and cash flow. Interest margins may increase as a results of such changes but may reduce or create losses in the event that unexpected movements arise. RMICC of the Bank monitor the interest rate risk and currency risk on a regular basis.

The Bank's interest rate risk is monitored on a daily basis and behavioural assumptions for indeterminate deposits as well as prepayment assumptions for significant loan portfolios have been implemented. The impact on net interest income of the banking book is simulated under various interest rate assumptions. Sensitivity is measured using the Earnings-at-Risk ('EaR') methodology. An increase or decrease by 25 basis points, the impact of increase/decrease on the Group's and the Bank's post-tax profit for the financial year end is estimated at RM4.9 million (2013: RM3.2 million).

The Bank's foreign exchange risk is managed by matching the quantum and timing of cash flow of the foreign exchange lending with foreign exchange borrowing. The mismatch between currencies mainly arises from the Bank's short term foreign currencies lending and borrowing. The financial impact of appreciation or depreciation by 1% for each foreign currency exposure would result in a post-tax profit/loss of RM72,000 (2013: RM260,000) to the Group and the Bank.

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk**

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Group and the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

| GROUP   | Non-trading book |                  |                  |                |              | Non-interest sensitive | Total            | Effective interest rate |
|---|------------------|------------------|------------------|----------------|--------------|------------------------|------------------|-------------------------|
|   | Up to 1 month    | >1-3 months      | >3-12 months     | >1-5 years     | Over 5 years |                        |                  |                         |
| 2014  | RM'000           | RM'000           | RM'000           | RM'000         | RM'000       | RM'000                 | RM'000           | %                       |
| <b>Assets</b>   |                  |                  |                  |                |              |                        |                  |                         |
| Cash and short-term funds   | 3,368,773        | -                | -                | -              | -            | 240,807                | 3,609,580        | 3.31                    |
| Deposits and placements with banks and other financial institutions | -                | 367,660          | 88,441           | -              | -            | -                      | 456,101          | 3.71                    |
| Derivative assets   | -                | -                | -                | -              | -            | 1,790                  | 1,790            |                         |
| Held-to-maturity securities   | 80,297           | 40,558           | 206,512          | 201,791        | -            | -                      | 529,158          | 3.48                    |
| Loans and advances  |                  |                  |                  |                |              |                        |                  | 4.70                    |
| - non-impaired  | 3,103,405        | 987,515          | 971,976          | 27             | -            | (26,962)               | 5,035,961        |                         |
| - impaired  | 16,965           | -                | -                | -              | -            | (899)                  | 16,066           |                         |
| Other assets  | -                | -                | -                | -              | -            | 15,244                 | 15,244           |                         |
| Tax recoverable   | -                | -                | -                | -              | -            | 8,296                  | 8,296            |                         |
| Deferred tax assets   | -                | -                | -                | -              | -            | 3,627                  | 3,627            |                         |
| Property and equipment  | -                | -                | -                | -              | -            | 23,088                 | 23,088           |                         |
| Intangible assets   | -                | -                | -                | -              | -            | 265                    | 265              |                         |
| Statutory deposits with Bank Negara Malaysia                        | -                | -                | -                | -              | -            | 77,200                 | 77,200           |                         |
| <b>Total assets</b>   | <b>6,569,440</b> | <b>1,395,733</b> | <b>1,266,929</b> | <b>201,818</b> | <b>-</b>     | <b>342,456</b>         | <b>9,776,376</b> |                         |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk (Continued)**

| <u>GROUP</u><br><u>2014</u>  | ←————— Non-trading book —————→ |                                 |                                  |                                |                               | Non-interest<br>sensitive<br>RM'000 | Total<br>RM'000  | Effective<br>interest rate<br>% |
|--|--------------------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|-------------------------------------|------------------|---------------------------------|
|  | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1-3 months</u><br>RM'000 | <u>&gt;3-12 months</u><br>RM'000 | <u>&gt;1-5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                                     |                  |                                 |
| <b>Liabilities</b>   |                                |                                 |                                  |                                |                               |                                     |                  |                                 |
| Deposits from customers  | 2,050,179                      | 1,050,700                       | 1,121,818                        | 50,239                         | -                             | 445,708                             | 4,718,644        | 3.13                            |
| Deposits and placements of banks<br>and other financial institutions | 1,588,258                      | 1,418,698                       | 496,524                          | 354,366                        | -                             | 51,158                              | 3,909,004        | 2.40                            |
| Derivative liabilities   | -                              | -                               | -                                | -                              | -                             | 1,806                               | 1,806            |                                 |
| Other liabilities  | -                              | -                               | -                                | -                              | -                             | 67,165                              | 67,165           |                                 |
| Provision for taxation   | -                              | -                               | -                                | -                              | -                             | 527                                 | 527              |                                 |
| Deferred tax liabilities   | -                              | -                               | -                                | -                              | -                             | 30                                  | 30               |                                 |
| <b>Total liabilities</b>   | <b>3,638,437</b>               | <b>2,469,398</b>                | <b>1,618,342</b>                 | <b>404,605</b>                 | <b>-</b>                      | <b>566,394</b>                      | <b>8,697,176</b> |                                 |
| Total equity   | -                              | -                               | -                                | -                              | -                             | 1,079,200                           | 1,079,200        |                                 |
| <b>Total liabilities and equity</b>                                  | <b>3,638,437</b>               | <b>2,469,398</b>                | <b>1,618,342</b>                 | <b>404,605</b>                 | <b>-</b>                      | <b>1,645,594</b>                    | <b>9,776,376</b> |                                 |
| On balance sheet - interest sensitivity gap                          | 2,931,003                      | (1,073,665)                     | (351,413)                        | (202,787)                      | -                             | (1,303,138)                         | -                |                                 |
| Off balance sheet - interest sensitivity gap                         | -                              | -                               | -                                | -                              | -                             | -                                   | -                |                                 |
| Total interest sensitivity gap                                       | 2,931,003                      | (1,073,665)                     | (351,413)                        | (202,787)                      | -                             | (1,303,138)                         | -                |                                 |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk**

| <u>GROUP</u><br><u>2013</u>  | ← Non-trading book →           |                                 |                                  |                                |                               | Non-interest<br>sensitive<br>RM'000 | <u>Total</u><br>RM'000 | <u>Effective</u><br><u>interest rate</u><br>% |
|--|--------------------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|-------------------------------------|------------------------|---|
|  | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1-3 months</u><br>RM'000 | <u>&gt;3-12 months</u><br>RM'000 | <u>&gt;1-5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                                     |                        |   |
| <b>Assets</b>  |                                |                                 |                                  |                                |                               |                                     |                        |   |
| Cash and short-term funds  | 4,445,183                      | -                               | -                                | -                              | -                             | 18,492                              | 4,463,675              | 4.09  |
| Deposits and placements with banks<br>and other financial institutions | -                              | 347,693                         | 999,419                          | -                              | -                             | -                                   | 1,347,112              | 5.31  |
| Derivative assets  | -                              | -                               | -                                | -                              | -                             | 1,222                               | 1,222                  |   |
| Held-to-maturity securities  | 46,490                         | 513                             | 445                              | 205,011                        | -                             | -                                   | 252,459                | 3.26  |
| Loans and advances   |                                |                                 |                                  |                                |                               |                                     |                        |   |
| - non-impaired   | 1,781,603                      | 638,674                         | 388,535                          | 204                            | 1,581                         | (25,066)                            | 2,785,531              | 5.28  |
| - impaired   | 12,341                         | -                               | -                                | -                              | -                             | (899)                               | 11,442                 |   |
| Other assets   | -                              | -                               | -                                | -                              | -                             | 13,926                              | 13,926                 |   |
| Deferred tax assets  | -                              | -                               | -                                | -                              | -                             | 3,580                               | 3,580                  |   |
| Property and equipment   | -                              | -                               | -                                | -                              | -                             | 16,357                              | 16,357                 |   |
| Intangible assets  | -                              | -                               | -                                | -                              | -                             | 108                                 | 108                    |   |
| Statutory deposits with Bank Negara Malaysia                           | -                              | -                               | -                                | -                              | -                             | 77,800                              | 77,800                 |   |
| <b>Total assets</b>  | <b>6,285,617</b>               | <b>986,880</b>                  | <b>1,388,399</b>                 | <b>205,215</b>                 | <b>1,581</b>                  | <b>105,520</b>                      | <b>8,973,212</b>       |   |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk (Continued)**

| <u>GROUP</u><br><u>2013</u>  | ←————— Non-trading book —————→ |                                 |                                  |                                |                               | Non-interest<br>sensitive<br>RM'000 | Total<br>RM'000  | Effective<br>interest rate<br>% |
|--|--------------------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|-------------------------------------|------------------|---------------------------------|
|  | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1-3 months</u><br>RM'000 | <u>&gt;3-12 months</u><br>RM'000 | <u>&gt;1-5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                                     |                  |                                 |
| <b>Liabilities</b>   |                                |                                 |                                  |                                |                               |                                     |                  |                                 |
| Deposits from customers  | 1,571,241                      | 347,210                         | 958,734                          | 498                            | -                             | 327,788                             | 3,205,471        | 2.86                            |
| Deposits and placements of banks<br>and other financial institutions | 2,688,680                      | 342,874                         | 2,004,352                        | -                              | -                             | 37,686                              | 5,073,592        | 2.90                            |
| Derivative liabilities   | -                              | -                               | -                                | -                              | -                             | 712                                 | 712              |                                 |
| Other liabilities  | -                              | -                               | -                                | -                              | -                             | 175,624                             | 175,624          |                                 |
| Provision for taxation   | -                              | -                               | -                                | -                              | -                             | 1,434                               | 1,434            |                                 |
| <b>Total liabilities</b>   | <b>4,259,921</b>               | <b>690,084</b>                  | <b>2,963,086</b>                 | <b>498</b>                     | <b>-</b>                      | <b>543,244</b>                      | <b>8,456,833</b> |                                 |
| Total equity   | -                              | -                               | -                                | -                              | -                             | 516,379                             | 516,379          |                                 |
| <b>Total liabilities and equity</b>                                  | <b>4,259,921</b>               | <b>690,084</b>                  | <b>2,963,086</b>                 | <b>498</b>                     | <b>-</b>                      | <b>1,059,623</b>                    | <b>8,973,212</b> |                                 |
| On balance sheet - interest sensitivity gap                          | 2,025,696                      | 296,796                         | (1,574,687)                      | 204,717                        | 1,581                         | (954,103)                           | -                |                                 |
| Off balance sheet - interest sensitivity gap                         | -                              | -                               | -                                | -                              | -                             | -                                   | -                |                                 |
| Total interest sensitivity gap                                       | 2,025,696                      | 296,796                         | (1,574,687)                      | 204,717                        | 1,581                         | (954,103)                           | -                |                                 |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk**

| <u>BANK</u><br><u>2014</u>   | ← Non-trading book →           |                                 |                                  |                                |                               | Non-interest<br>sensitive<br>RM'000 | Total<br>RM'000  | Effective<br>interest rate<br>% |
|--|--------------------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|-------------------------------------|------------------|---------------------------------|
|  | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1-3 months</u><br>RM'000 | <u>&gt;3-12 months</u><br>RM'000 | <u>&gt;1-5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                                     |                  |                                 |
| <b>Assets</b>  |                                |                                 |                                  |                                |                               |                                     |                  |                                 |
| Cash and short-term funds  | 3,365,008                      | -                               | -                                | -                              | -                             | 240,805                             | 3,605,813        | 3.31                            |
| Deposits and placements with banks<br>and other financial institutions | -                              | 367,660                         | 88,441                           | -                              | -                             | -                                   | 456,101          | 3.71                            |
| Derivative assets  | -                              | -                               | -                                | -                              | -                             | 1,790                               | 1,790            |                                 |
| Held-to-maturity securities  | 80,297                         | 40,558                          | 206,512                          | 201,791                        | -                             | -                                   | 529,158          | 3.48                            |
| Loans and advances   |                                |                                 |                                  |                                |                               |                                     |                  | 4.70                            |
| - non-impaired   | 3,103,405                      | 987,515                         | 971,976                          | 27                             | -                             | (26,962)                            | 5,035,961        |                                 |
| - impaired   | 16,965                         | -                               | -                                | -                              | -                             | (899)                               | 16,066           |                                 |
| Other assets   | -                              | -                               | -                                | -                              | -                             | 14,471                              | 14,471           |                                 |
| Tax recoverable  | -                              | -                               | -                                | -                              | -                             | 8,296                               | 8,296            |                                 |
| Deferred tax assets  | -                              | -                               | -                                | -                              | -                             | 3,627                               | 3,627            |                                 |
| Property and equipment   | -                              | -                               | -                                | -                              | -                             | 20,109                              | 20,109           |                                 |
| Intangible assets  | -                              | -                               | -                                | -                              | -                             | 263                                 | 263              |                                 |
| Investment in a subsidiary   | -                              | -                               | -                                | -                              | -                             | 1,000                               | 1,000            |                                 |
| Statutory deposits with Bank Negara Malaysia                           | -                              | -                               | -                                | -                              | -                             | 77,200                              | 77,200           |                                 |
| <b>Total assets</b>  | <b>6,565,675</b>               | <b>1,395,733</b>                | <b>1,266,929</b>                 | <b>201,818</b>                 | <b>-</b>                      | <b>339,700</b>                      | <b>9,769,855</b> |                                 |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk (Continued)**

| <u>BANK</u><br><u>2014</u>   | ← Non-trading book →    |                       |                        |                      |                        | Non-interest<br>sensitive<br>RM'000 | Total<br>RM'000  | Effective<br>interest rate<br>% |
|--|-------------------------|-----------------------|------------------------|----------------------|------------------------|-------------------------------------|------------------|---------------------------------|
|  | Up to 1 month<br>RM'000 | >1-3 months<br>RM'000 | >3-12 months<br>RM'000 | >1-5 years<br>RM'000 | Over 5 years<br>RM'000 |                                     |                  |                                 |
| <b>Liabilities</b>   |                         |                       |                        |                      |                        |                                     |                  |                                 |
| Deposits from customers  | 2,050,179               | 1,050,700             | 1,121,818              | 50,239               | -                      | 454,440                             | 4,727,376        | 3.13                            |
| Deposits and placements of banks<br>and other financial institutions | 1,588,258               | 1,418,698             | 496,524                | 354,366              | -                      | 51,158                              | 3,909,004        | 2.40                            |
| Derivative liabilities   | -                       | -                     | -                      | -                    | -                      | 1,806                               | 1,806            |                                 |
| Other liabilities  | -                       | -                     | -                      | -                    | -                      | 65,028                              | 65,028           |                                 |
| <b>Total liabilities</b>   | <b>3,638,437</b>        | <b>2,469,398</b>      | <b>1,618,342</b>       | <b>404,605</b>       | <b>-</b>               | <b>572,432</b>                      | <b>8,703,214</b> |                                 |
| Total equity   | -                       | -                     | -                      | -                    | -                      | 1,066,641                           | 1,066,641        |                                 |
| <b>Total liabilities and equity</b>                                  | <b>3,638,437</b>        | <b>2,469,398</b>      | <b>1,618,342</b>       | <b>404,605</b>       | <b>-</b>               | <b>1,639,073</b>                    | <b>9,769,855</b> |                                 |
| On balance sheet - interest sensitivity gap                          | 2,927,238               | (1,073,665)           | (351,413)              | (202,787)            | -                      | (1,299,373)                         | -                |                                 |
| Off balance sheet - interest sensitivity gap                         | -                       | -                     | -                      | -                    | -                      | -                                   | -                |                                 |
| Total interest sensitivity gap                                       | 2,927,238               | (1,073,665)           | (351,413)              | (202,787)            | -                      | (1,299,373)                         | -                |                                 |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk**

| <u>BANK</u><br><u>2013</u>   | ← Non-trading book →    |                       |                        |                      |                        | Non-interest<br>sensitive<br>RM'000 | Total<br>RM'000  | Effective<br>interest rate<br>% |
|--|-------------------------|-----------------------|------------------------|----------------------|------------------------|-------------------------------------|------------------|---------------------------------|
|  | Up to 1 month<br>RM'000 | >1-3 months<br>RM'000 | >3-12 months<br>RM'000 | >1-5 years<br>RM'000 | Over 5 years<br>RM'000 |                                     |                  |                                 |
| <b>Assets</b>  |                         |                       |                        |                      |                        |                                     |                  |                                 |
| Cash and short-term funds  | 4,442,533               | -                     | -                      | -                    | -                      | 18,490                              | 4,461,023        | 4.09                            |
| Deposits and placements with banks<br>and other financial institutions | -                       | 347,693               | 999,419                | -                    | -                      | -                                   | 1,347,112        | 5.31                            |
| Derivative assets  | -                       | -                     | -                      | -                    | -                      | 1,222                               | 1,222            |                                 |
| Held-to-maturity securities  | 46,490                  | 513                   | 445                    | 205,011              | -                      | -                                   | 252,459          | 3.26                            |
| Loans and advances   |                         |                       |                        |                      |                        |                                     |                  |                                 |
| - non-impaired   | 1,781,603               | 638,674               | 388,535                | 204                  | 1,581                  | (25,066)                            | 2,785,531        | 5.28                            |
| - impaired   | 12,341                  | -                     | -                      | -                    | -                      | (899)                               | 11,442           |                                 |
| Other assets   | -                       | -                     | -                      | -                    | -                      | 13,109                              | 13,109           |                                 |
| Investment in a subsidiary   | -                       | -                     | -                      | -                    | -                      | 1,000                               | 1,000            |                                 |
| Deferred tax assets  | -                       | -                     | -                      | -                    | -                      | 3,503                               | 3,503            |                                 |
| Property and equipment   | -                       | -                     | -                      | -                    | -                      | 13,647                              | 13,647           |                                 |
| Intangible assets  | -                       | -                     | -                      | -                    | -                      | 106                                 | 106              |                                 |
| Statutory deposits with Bank Negara Malaysia                           | -                       | -                     | -                      | -                    | -                      | 77,800                              | 77,800           |                                 |
| <b>Total assets</b>  | <b>6,282,967</b>        | <b>986,880</b>        | <b>1,388,399</b>       | <b>205,215</b>       | <b>1,581</b>           | <b>102,912</b>                      | <b>8,967,954</b> |                                 |



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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risk (Continued)**

**Interest rate risk (Continued)**

| <u>BANK</u><br><u>2013</u>   | ←————— Non-trading book —————→ |                                 |                                  |                                |                               | Non-interest<br>sensitive | Total            | Effective<br>interest rate<br>% |
|--|--------------------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|---------------------------|------------------|---------------------------------|
|  | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1-3 months</u><br>RM'000 | <u>&gt;3-12 months</u><br>RM'000 | <u>&gt;1-5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                           |                  |                                 |
| <b>Liabilities</b>   |                                |                                 |                                  |                                |                               |                           |                  |                                 |
| Deposits from customers  | 1,571,241                      | 347,210                         | 958,734                          | 498                            | -                             | 335,831                   | 3,213,514        | 2.86                            |
| Deposits and placements of banks<br>and other financial institutions | 2,688,680                      | 342,874                         | 2,004,352                        | -                              | -                             | 37,686                    | 5,073,592        | 2.90                            |
| Derivative liabilities   | -                              | -                               | -                                | -                              | -                             | 712                       | 712              |                                 |
| Other liabilities  | -                              | -                               | -                                | -                              | -                             | 173,139                   | 173,139          |                                 |
| Provision for taxation   | -                              | -                               | -                                | -                              | -                             | 961                       | 961              |                                 |
| <b>Total liabilities</b>   | <b>4,259,921</b>               | <b>690,084</b>                  | <b>2,963,086</b>                 | <b>498</b>                     | <b>-</b>                      | <b>548,329</b>            | <b>8,461,918</b> |                                 |
| Total equity   | -                              | -                               | -                                | -                              | -                             | 506,036                   | 506,036          |                                 |
| <b>Total liabilities and equity</b>                                  | <b>4,259,921</b>               | <b>690,084</b>                  | <b>2,963,086</b>                 | <b>498</b>                     | <b>-</b>                      | <b>1,054,365</b>          | <b>8,967,954</b> |                                 |
| On balance sheet - interest sensitivity gap                          | 2,023,046                      | 296,796                         | (1,574,687)                      | 204,717                        | 1,581                         | (951,453)                 | -                |                                 |
| Off balance sheet - interest sensitivity gap                         | -                              | -                               | -                                | -                              | -                             | -                         | -                |                                 |
| Total interest sensitivity gap                                       | <b>2,023,046</b>               | <b>296,796</b>                  | <b>(1,574,687)</b>               | <b>204,717</b>                 | <b>1,581</b>                  | <b>(951,453)</b>          | <b>-</b>         |                                 |

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**33. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(e) Operational Risk

Operational risk can be defined as the risk of monetary loss resulting from inadequate or failed internal processes, people, and system or from external events. RMICC of the Bank is responsible for the development of a control framework, the promotion of a strong risk management culture in the Bank, and the monitoring and administration of operational risk.

Some of the key management and control techniques include segregation of duties, clear delegation of authority, sound project management and disaster recovery plan. Our internal audit function independently appraises the adequacy and effectiveness of the internal control environment and reports results independently to the Audit Committee of the Bank.

**34. FAIR VALUE OF FINANCIAL INSTRUMENTS**

MFRS 7 *Financial Instruments*: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 *Fair Value Measure* also requires the hierarchical disclosure for financial instruments of which their fair values are disclosed. The following levels of hierarchy are used for determining the disclosing the fair value of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity securities on exchange or debt instrument issued by certain governments.

Level 2 – Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter derivative contracts, debt securities for which quotations are available from pricing services providers, traded loans and issued structured deposits.

Level 3 – Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measures of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

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### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value

As at 31 December 2014, the Group and the Bank only have fair valued financial instruments that falls under level 2 as listed below:

|                        | <u>GROUP AND BANK</u> |              |
|------------------------|-----------------------|--------------|
|                        | 2014                  | 2013         |
|                        | RM'000                | RM'000       |
| Level 2                |                       |              |
| Financial assets       |                       |              |
| Derivative assets      | <u>1,790</u>          | <u>1,222</u> |
| Financial liabilities  |                       |              |
| Derivative liabilities | <u>1,806</u>          | <u>712</u>   |

Financial instruments not measured at fair value

A range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at the reporting date. The total fair value by each class of financial instruments is not materially different from the total carrying amount, except for the following financial assets:

|                                       | <u>GROUP AND BANK</u>  |                   |                        |                   |
|---------------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                       | 2014                   |                   | 2013                   |                   |
|                                       | <u>Carrying amount</u> | <u>Fair value</u> | <u>Carrying amount</u> | <u>Fair value</u> |
| Financial assets                      |                        |                   |                        |                   |
| Financial investment held-to-maturity |                        |                   |                        |                   |
| - Level 1                             | 448,861                | 443,300           | 207,435                | 205,081           |
| - Level 2                             | 80,297                 | 80,290            | 45,024                 | 45,021            |
|                                       | <u>529,158</u>         | <u>523,590</u>    | <u>252,459</u>         | <u>250,102</u>    |

The fair values are based on the following methodologies and assumptions:

(a) Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

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#### **34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The fair values are based on the following methodologies and assumptions:

(b) Held-to-maturity securities

The estimated fair value of Malaysian Government Securities is generally based on quoted and observable market prices and classified under level 1 of the fair value hierarchy. The estimated fair value of negotiable instruments of deposits is based on market yield of similar assets and classified under level 2.

(c) Loans and advances

For floating rate loans, the carrying amount is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities. The fair value of the fixed rate loans are generally a reasonable estimate of fair value.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual allowance, being the expected recoverable amount.

(d) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposits with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(e) Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying amounts. For deposits and placements with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

(f) Foreign exchange rate and interest rate contracts

The fair values of foreign exchange rate, interest rate and equity contracts are the estimated amounts the Group and the Bank would receive or pay to terminate the contracts at the reporting date.

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### **35. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Impairment losses on loans and advances

The Group and the Bank make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and time of the cash flows in allowance for impairment of loans, advances and financing. Among the factors considered are the Group's and the Bank's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. In the case where the Group and the Bank have no entity-specific loss experience or insufficient experience, the Group and the Bank use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as change in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

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### **35. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)**

#### Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more details in Note 34.

### **36. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2015.