Company No. 511251-V

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

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company No. 511251-V

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

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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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 2015.

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

	GROUP RM'000	BANK RM'000
Profit before taxation	140,304	136,855
Taxation	(37,688)	(33,603)
Net profit for the financial year	102,616	103,252

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

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.

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.

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

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 would 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.

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.

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

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

Datuk Ter Leong Yap and Mdm. Zheng Weiping, the Directors retiring by rotation pursuant to Article 76 of the Company's Articles of Association and 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 the Bank or related corporations in their capacities as executives of the Bank or 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 2015

In the year of 2015, China economy has entered into a new phenomenon of medium-high pace of GDP growth. Malaysia, which has been affected by the recent political uncertainties, heavily depreciated Malaysian Ringgit and highly fluctuated of CNY and CNH market, recorded a slowdown in GDP growth. BOCM had taken the economy outlook seriously, also conducted strategic studies on the market, broaden the income sources, focus on credit quality controls and at the same time optimized BOCM business structures, improved the efficiency of internal controls, promoted employee engagement, to achieve sustainable growth.

ECONOMIC OUTLOOK FOR 2016

The global economy is expected to remain weak in 2016. Advanced economies are expected to recover at a moderate pace, while emerging markets and developing economies are anticipated to experience slow growth. Year 2016 will be a challenging year for Malaysia's economy, as downside risks on external front is intensifying from declining commodity prices, strengthening of the US dollar and the impending US interest rate hike, reduced capital flows, and potential growth slowdown in China. The slow down in economic growth will have a greater pressure on earnings and asset quality moving forward. Despite the challenging economic outlook, Malaysia's economy fundamental remain mostly stable, on expectation that banking system profitability and other loss-absorption buffers would provide sufficient cushion against the projected rise in cost of financing, broadly preserving the banking system credit profiles amid the anticipated downturn.

RATINGS BY EXTERNAL RATING AGENCY

RAM Rating Services Berhad ('RAM") has assigned Bank of China (Malaysia) Berhad's Financial Institution Ratings at AAA2 and P1, with stable outlook, on 30 September 2015.

DIRECTORS' PROFILES

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

Mdm. Zheng Weiping, Chinese Citizen, aged 63, 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 52, 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, President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ('ACCCIM') and Honorary Member of Malaysia-China Business Council. He is also the Malaysia's representative for Malaysia-Singapore Business Council as well. In addition, he also sits in the Board of School Directors as Vice Chairman, Board of Directors of Hin Hua High School Klang, Vice Chairman of Pin Hwa High School Klang and Director of Kuen Cheng High School Kuala Lumpur. He has been appointed as a Director to the Board of Directors of Xiamen University Malaysia Campus.

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**,** awarded 'Business Excellence Person of the year' by Sin Chew Business Excellence Award 2014 and awarded "The EDGE-PEPS Value Creation Excellence Award (Non-Residential) 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.

DIRECTORS' PROFILES (CONTINUED)

Liu Lijing – Non-Independent Non-Executive Director

Mdm. Liu Lijing, Chinese Citizen, aged 61 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 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 – Independent Non-Executive Director

Mr. Chai Woon Chew, Malaysian, aged 58, 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.

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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 53, 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.

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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, ensuring 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; and

5. Ensure reliable and transparent financial reporting process within the Bank and the integrity and credibility of financial statements of the Bank.

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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 2015 is as follows:

Composition of Board of Director	**Number of Board Meetings**	
	Held	**Attended**
Datuk Ter Leong Yap Independent Non-Executive Director	6	5
Zheng Weiping Chairman/ Non-Independent Non-Executive Director	6	6
Liu Lijing Non-Independent Non-Executive Director	6	6
Chai Woon Chew Independent Non-Executive Director	6	6
Wang Hongwei Non-Independent Executive Director	6	6

Effectiveness of the Board of Directors

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.

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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

   All Directors will receive in-house orientation and education programmes to assist them to familiarise with the industry and the Bank within 3 months of their appointment. These programmes will 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 ensures 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.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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
- Compliance Risk Management Committee
- Business Development Committee
- Loan Portfolio Management Committee
- Credit Evaluation Panel
- Information technology Steering Committee
- Bulk Purchase management procurement Committee

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 2015 are as follows:

Composition of Audit Committee	**Number of AC Meetings**	
	Held	**Attended**
Chai Woon Chew Chairman/Member/Independent Non-Executive Director	5	5
Datuk Ter Leong Yap Member/Independent Non-Executive Director	5	4
Liu Lijing Member/Non-Independent Non-Executive Director	5	5

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

1. Audit Committee (Continued)

(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.

(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.

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

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 2015 are as follows:

Composition of Board Risk Committee	**Number of Meetings**	
	Held	**Attended**
Chai Woon Chew Chairman/Member/Independent Non-Executive Director	6	6
Datuk Ter Leong Yap Member/Independent Non-Executive Director	6	5
Liu Lijing 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 two (2) persons.

(c) Objective

The objective of BRC is to to assist the Board in overseeing the establishment of a robust risk management system and effective framework to identify, monitor, controls and report risk. To oversee the senior management’s activities in managing credit, market, liquidity, operational, compliance, legal and other risk and to ensure that the integrated risk management functions within the Bank is in place and effectively discharged. To review and to formulate Senior Management’s recommendations to the Board on risk management.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

2. Board Risk Committee (continued)

(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;

(iv) reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

(v) to advise the Board on risk appetite and tolerance in determining strategy. The Committee has power delegated by the Board to set risk appetite, approve frameworks, policies and processes for managing risk and accept risks beyond the approval discretion provided to management; and

(vi) to provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework.

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 2015 are as follows:

Composition of Board Nominating Committee	**Number of BNC Meetings**	
	Held	**Attended**
Datuk Ter Leong Yap Chairman/Independent Non-Executive Director	4	4
Chai Woon Chew Member/ Independent Non-Executive Director	4	4
Liu Lijing Member/Non-Independent Non-Executive Director	4	4
Zheng Weiping Member/Chairman of Board of Director (Appointed on 26 October 2015)	NIL	NIL
Wang Hongwei Member/Chairman of Board of Director (Appointed on 26 October 2015)	NIL	NIL

INFORMATION ON COMMITTEES OF THE BANK (CONTINUED)

3. Board Nominating Committee (Continued)

(b) Composition

The BNC shall consists of a minimum of five (5) members. At least four (4) are non-executive directors. The committee is chaired by either the chairman of the board or an independent non-executive director.

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 a 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 Bank Negara Malaysia;

(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;

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 or 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's performance evaluation process;

   (ix) ensuring that all directors receive 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 or 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 2015 are as follows:

Composition of Board Remuneration Committee	**Number of Meetings**	
	Held	**Attended**
Datuk Ter Leong Yap Chairman/Independent Non-Executive Director	4	3
Chai Woon Chew Member/Independent Non-Executive Director	4	4
Liu Lijing Member/Non-Independent Non-Executive Director	4	4

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, CEO 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, CEO, and key senior management officers (which includes Deputy CEO and Assistant CEO) and to ensure that compensation is competitive and consistent with the Bank's 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 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 subsidies 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; and

(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.

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. Status 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 attends 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 Transactions

The details of personnels transactions 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.

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 30 May 2016.

CHAI WOON CHEW
DIRECTOR

WANG HONGWEI
DIRECTOR

Kuala Lumpur
30 May 2016

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 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 24 to 113 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 2015 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 30 May 2016.

CHAI WOON CHEW
DIRECTOR

WANG HONGWEI
DIRECTOR

Kuala Lumpur
30 May 2016

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 24 to 113 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 30 May 2016, 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 2015 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 24 to 113.

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 2015 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	Chan Hooi Lam
AF: 0039	No. 2844/02/18(J)
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		GROUP		BANK	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	2	1,951,246	3,609,580	1,948,595	3,605,813
Deposits and placements with banks and other financial institutions	3	1,162,832	456,101	1,162,832	456,101
Derivative assets	4	2,273	1,790	2,273	1,790
Held-to-maturity securities	5	429,633	529,158	429,633	529,158
Loans and advances	6	4,722,114	5,052,027	4,722,114	5,052,027
Other assets	7	9,095	15,244	8,467	14,471
Tax recoverable		-	8,296	-	8,296
Deferred tax assets	8	2,866	3,627	2,783	3,627
Statutory deposits with Bank Negara Malaysia	9	128,200	77,200	128,200	77,200
Investment in a subsidiary	10	-	-	1,000	1,000
Property and equipment	11	43,565	23,088	41,266	20,109
Intangible assets	12	172	265	172	263
TOTAL ASSETS		8,451,996	9,776,376	8,447,335	9,769,855
LIABILITIES AND EQUITY					
Deposits from customers	13	6,059,685	4,718,644	6,069,902	4,727,376
Deposits and placements of banks and other financial institutions	14	1,006,020	3,909,004	1,006,020	3,909,004
Derivative liabilities	4	958	1,806	958	1,806
Other liabilities	15	202,682	67,165	200,551	65,028
Provision for taxation		835	527	11	-
Deferred tax liabilities	8	-	30	-	-
TOTAL LIABILITIES		7,270,180	8,697,176	7,277,442	8,703,214
Share capital	16	760,518	760,518	760,518	760,518
Reserves	17	421,298	318,682	409,375	306,123
TOTAL EQUITY		1,181,816	1,079,200	1,169,893	1,066,641
TOTAL LIABILITIES AND EQUITY		8,451,996	9,776,376	8,447,335	9,769,855
COMMITMENTS AND CONTINGENCIES	29	3,326,841	4,137,054	3,326,841	4,137,054

Company No. 511251-V

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		GROUP		BANK	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	18	461,936	489,392	453,248	478,207
Interest income	19	373,080	428,905	373,080	428,905
Interest expense	20	(219,729)	(261,324)	(219,729)	(261,324)
Net interest income		153,351	167,581	153,351	167,581
Other operating income	21	88,856	60,487	80,168	49,302
Other operating expenses	22	(89,124)	(76,353)	(83,885)	(71,460)
Operating profit before allowance		153,083	151,715	149,634	145,423
Allowance for impairment on loans and advances	24	(12,779)	(1,156)	(12,779)	(1,156)
Profit before taxation		140,304	150,559	136,855	144,267
Taxation	25	(37,688)	(44,256)	(33,603)	(40,180)
Profit for the financial year, representing total comprehensive income for the financial year		102,616	106,303	103,252	104,087
Earnings per share - Basic/fully diluted (sen)	26	13.49	24.35		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

GROUP	Share capital RM'000	← Non-distributable Statutory reserve RM'000	→ Regulatory reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2015	760,518	171,605	-	147,077	1,079,200
Total comprehensive income for the year	-	-	-	102,616	102,616
Transfer to regulatory reserve	-	-	22,671	(22,671)	-
Transfer to statutory reserve	-	51,626	-	(51,626)	-
At 31 December 2015	760,518	223,231	22,671	175,396	1,181,816
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	760,518	171,605	-	147,077	1,079,200

BANK	Share capital RM'000	← Non-distributable Statutory reserve RM'000	→ Regulatory reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2015	760,518	171,605	-	134,518	1,066,641
Total comprehensive income for the year	-	-	-	103,252	103,252
Transfer to regulatory reserve	-	-	22,671	(22,671)	-
Transfer to statutory reserve	-	51,626	-	(51,626)	-
At 31 December 2015	760,518	223,231	22,671	163,473	1,169,893
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	760,518	171,605	-	134,518	1,066,641

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		GROUP		BANK	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		140,304	150,559	136,855	144,267
Adjustments for:					
Depreciation of property and equipment	22	3,627	4,408	2,933	4,145
Amortisation of intangible assets	22	93	117	91	117
Amortisation of premium less accretion of discount	19	291	222	291	222
Allowance for impairment on loans and advances	24	12,779	1,156	12,779	1,156
Interest income from held-to-maturity securities	19	(18,372)	(8,923)	(18,372)	(8,923)
Unrealised foreign exhange gain	21	(2,247)	(3,744)	(2,247)	(3,744)
Net (gain)/loss on revaluation of derivatives	21	(1,331)	526	(1,331)	526
Net gain on disposal of property and equipment	21	(47)	-	(47)	-
Dividend income from subsidiary	21	-	-	(12,500)	(10,000)
Property and equipment written-off	22	139	1	139	1
Operating profit before changes in operating assets and liabilities		135,236	144,322	118,591	127,767
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(706,731)	891,011	(706,731)	891,011
Loans and advances		317,134	(2,256,210)	317,134	(2,256,210)
Other assets		8,396	2,426	8,251	2,382
Statutory deposits with Bank Negara Malaysia		(51,000)	600	(51,000)	600
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		1,341,041	1,513,173	1,342,526	1,513,862
Deposits and placements of banks and other financial institutions		(2,902,984)	(1,164,588)	(2,902,984)	(1,164,588)
Other liabilities		135,517	(108,459)	135,523	(108,111)
Cash used in operating activities		(1,723,391)	(977,725)	(1,738,690)	(993,287)
Taxes paid		(28,353)	(53,476)	(24,452)	(49,561)
Net cash used in operating activities		(1,751,744)	(1,031,201)	(1,763,142)	(1,042,848)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTD.)

		GROUP		BANK	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income received from subsidiary		-	-	12,500	10,000
Purchase of property and equipment	11	(24,243)	(11,390)	(24,229)	(10,858)
Proceeds from disposal of property and equipment		47	-	47	-
Purchase of intangible assets	12	-	(24)	-	(24)
Purchase of held-to-maturity securities		(708,735)	(709,047)	(708,735)	(709,047)
Proceeds from maturity of held-to-maturity securities		807,090	435,000	807,090	435,000
Interest received on held-to-maturity securities		19,251	6,049	19,251	6,049
Net cash generated from/(used in) investing activities		93,410	(279,412)	105,924	(268,880)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of shares, representing net cash generated from financing activities		-	456,518	-	456,518
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(1,658,334)	(854,095)	(1,657,218)	(855,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,609,580	4,463,675	3,605,813	4,461,023
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2	1,951,246	3,609,580	1,948,595	3,605,813

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 2015, 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 2015.

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

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Group's financial statements.

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 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies (continued)

Annual Improvements to MFRSs 2010–2012 Cycle (continued)

(i) 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.

(ii) 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. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

(iii) 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.

The Group and the Bank are not required under the standard to disclose segmented information. Thus the amendments above have no impact to the Group and the Bank's financial statements.

A BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies (continued)

Annual Improvements to MFRSs 2010–2012 Cycle (continued)

(iv) 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 asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group and the Bank.

(v) 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. This amendment is not applicable to the Group as the Group does not receive any management services from other entities.

Annual Improvements to MFRSs 2011–2013 Cycle

(i) 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. The Group is not and does not have any joint arrangement and thus the amendments are not relevant to the Group.

(ii) 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). The Group does not apply the portfolio exception.

A BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies (continued)

Annual Improvements to MFRSs 2011–2013 Cycle (continued)

(iii) 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
- the 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.

The Group and the Bank do not have investment property and thus the above amendments are not relevant to the Group and the Bank.

Significant changes in regulatory requirement

a) Revised Bank Negara Malaysia's ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing which is applicable to banking institution in Malaysia. Main changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is rescheduled and restructured ("R & R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R & R loan/financing from impaired to non-impaired when repayment based on the revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirement in this Policy Document are effective for financial year beginning on or after 1 January 2015, except for the following:

(i) The requirements in paragraph 12 of the Policy Document will apply to loans/financing that are R & R in CCRIS on or after 1 April 2015; and

(ii) The requirements in paragraph 15.2 of the Policy Document for banking institution is required to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, advances and financing, net of individual impairment allowance, which will be effective beginning 31 December 2015.

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

A BASIS OF PREPARATION (CONTINUED)

Significant changes in regulatory requirement (continued)

(b) Introduction of the new legislation of Malaysia Goods and Services Tax ("GST")

In the Malaysian Budget 2014, the Government announced the introduction of the GST which would replace the Sales & Services Tax regime with effect from a 1 April 2015.

Under the GST Act 2014, persons having business with annual sales turnover exceeding RM500,000 are required to be registered with the Royal Malaysian Custom Department. Persons include an individual, sole proprietor, partnership, company, trust, estate, society, union, club, association or any other organisation including a government department or local authority which is involved in the business of making taxable supplies in Malaysia.

Entities within the Group and the Bank that meet the criteria for GST registration have been registered with the Royal Malaysian Customs Department. The Group and the Bank have enhanced the information technology system, operating policies and procedures to ensure compliance with the GST legislation.

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**
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	Deferred
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 101: Disclosure Initiatives	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 2018
MFRS 9 Financial Instruments	1 January 2018

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

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 forms part of the business) 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. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are to be applied retrospectively, with early adoption permitted. The Group and the Bank are not involved in agricultural sector and thus these amendments are not relevant to the Group and the Bank.

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity’s financial statements only to the extent of unrelated investors’ interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Directors do not anticipate that the application of these amendments will have a material impact on the Group’s consolidated financial statements.

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. The Bank does not intend to adopt the equity method stated above, and will retain the cost method for its investment in the subsidiary in the separate financial statements.

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

The Directors do not anticipate that the application of these amendments will have a material impact on the Group’s and the Bank’s financial statements.

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

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. These amendments will not have any impact on the Group's and the Bank's financial statements.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard would not apply.

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Group’s and the Bank’s financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

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. The Directors do not anticipate that the application of these amendments will have a significant impact on the Group’s and the Bank’s financial statements.

A BASIS OF PREPARATION (CONTINUED)

Standards issued but not yet effective (continued)

Annual Improvements to MFRSs 2012–2014 Cycle (continued)

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.

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.

A 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.

B BASIS OF CONSOLIDATION (CONTINUED)

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.

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 in investee over which the Group has control. A subsidiary is an entity over which the Group has control as defined:

(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.

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
Business outlet	30 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.

E FINANCIAL ASSETS

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) 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, and recycled to profit or loss when these securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.

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 the Group and the Bank become party to the contractual provisions of the instrument.

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.

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 or 90 days;
- 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

<u>Loans and advances</u>

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.

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.

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 with original maturity of 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

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.

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 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.

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.

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 by 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.

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.

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.

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 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group and the Bank are parties to derivative 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.

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 profit or loss 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.

T DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

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.

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	572,282	531,409	569,631	527,642
Money at call and deposit placements with original maturity within one month	1,378,964	3,078,171	1,378,964	3,078,171
	1,951,246	3,609,580	1,948,595	3,605,813

3. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Licensed banks	1,162,832	456,101

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.

	GROUP AND BANK		
	Contract or underlying principal amount	Derivative assets	Derivative liabilities
	RM'000	RM'000	RM'000
31 December 2015			
Foreign exchange related contract:			
-forward/swaps	419,525	2,273	(958)
31 December 2014			
Foreign exchange related contract:			
-forward/swaps	1,269,346	1,790	(1,806)

5. HELD-TO-MATURITY SECURITIES

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Securities	389,529	448,861
Negotiable instruments of deposits	40,104	80,297
	429,633	529,158

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6. LOANS AND ADVANCES

(i) By type:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Overdrafts	783,669	674,923
Term loans		
- Housing loans	269,734	217,470
- Syndicated term loans	404,537	205,812
- Other term loans	1,672,155	1,333,955
Bills receivables	295,094	1,343,630
Trust receipts	27,871	35,671
Claims on customers under acceptance credits	350,990	332,037
Revolving credits	958,172	934,224
Credit card receivables	45	-
Staff loans	2,007	2,166
Gross loans, advances and financing	4,764,274	5,079,888
Less: Allowance for impairment on loans and advances		
- Individual assessment allowance	(7,753)	(899)
- Collective assessment allowance	(34,407)	(26,962)
Total net loans and advances	4,722,114	5,052,027

(ii) By geographical distribution:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Malaysia	4,366,883	3,632,623
Other countries	397,391	1,447,265
Gross loans and advances	4,764,274	5,079,888

(iii) By interest rate sensitivity:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	626,992	1,624,992
Variable rate		
- Base lending rate/Base rate plus	2,576,121	2,295,211
- Cost of funds plus	1,493,810	1,089,403
- Other variable rates	67,351	70,282
Gross loans and advances	4,764,274	5,079,888

6. LOANS AND ADVANCES (CONTINUED)

(iv) By purpose:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Purchase of securities	50,971	17
Purchase of transport vehicles	5,894	27
Purchase of landed property	1,209,116	1,055,884
of which: - Residential	284,130	231,007
- Non-residential	924,986	824,877
Purchase of fixed assets other than land and buildings	6,381	4,912
Personal use	339,168	246,744
Credit card	45	-
Construction	226,647	128,636
Working capital	2,898,626	3,621,737
Others purpose	27,426	21,931
Gross loans and advances	4,764,274	5,079,888

(v) By residual contractual maturity - remaining:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Up to one month	1,613,308	1,502,597
More than one month to three months	419,298	941,948
More than three months to six months	384,050	705,637
More than six months to twelve months	73,018	208,295
More than twelve months	2,274,600	1,721,411
Gross loans and advances	4,764,274	5,079,888

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
At 1 January	16,965	12,341
Classified as impaired during the year	38,104	8,058
Reclassified as performing during the year	(3,413)	(1,691)
Amount recovered	(8,244)	(1,743)
At 31 December	43,412	16,965
Individual impairment allowance	(7,753)	(899)
	35,659	16,066
Ratio of net impaired loans and advances to gross loans and advances less individual allowance for impairment	0.750%	0.316%

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6. LOANS AND ADVANCES (CONTINUED)

(vi) Impaired loans and advances (Continued)

(b) By geographical:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Malaysia	43,412	16,965

(c) By purpose:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Purchase of landed property - residential	3,614	3,016
Purchase of landed property - non-residential	19,762	13,949
Personal use	1,842	-
Working capital	18,194	-
	43,412	16,965

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

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Individual impairment allowance		
At 1 January	899	899
Allowance made during the financial year (Note 24)	7,090	-
Amount written back during the financial year (Note 24)	(236)	-
At 31 December	7,753	899
Collective impairment allowance		
At 1 January	26,962	25,066
Allowance made during the financial year (Note 24)	5,925	1,156
Exchange differences	1,520	740
At 31 December	34,407	26,962

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7. OTHER ASSETS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Other receivables	5,566	12,699	5,332	12,305
Sundry deposits	2,485	2,025	2,091	1,646
Prepayments	495	520	495	520
Precious metal inventory	549	-	549	-
	9,095	15,244	8,467	14,471

8. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,597	3,580	3,627	3,503
Recognised in profit or loss (Note 25)	(731)	17	(844)	124
At 31 December	2,866	3,597	2,783	3,627

Presented after appropriate offsetting as follows:

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax asset	2,866	3,627	2,783	3,627
Deferred tax liability	-	(30)	-	-

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

Deferred tax assets

	Provision for other liabilities	Total
	RM'000	RM'000
GROUP		
At 1 January 2014	5,253	5,253
Recognised in profit or loss	930	930
At 31 December 2014	6,183	6,183
Recognised in profit or loss	(151)	(151)
At 31 December 2015	6,032	6,032

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 capital allowances	Unrealised forex gains/losses	Total
	RM'000	RM'000	RM'000
GROUP			
At 1 January 2014	536	1,137	1,673
Recognised in profit or loss	-	913	913
At 31 December 2014	536	2,050	2,586
Recognised in profit or loss	(156)	736	580
At 31 December 2015	380	2,786	3,166

Deferred tax assets

	Provision for other liabilities	Total
	RM'000	RM'000
BANK		
At 1 January 2014	5,070	5,070
Recognised in profit or loss	963	963
At 31 December 2014	6,033	6,033
Recognised in profit or loss	(127)	(127)
At 31 December 2015	5,906	5,906

Deferred tax liabilities

	Accelerated capital allowances	Unrealised forex gains/losses	Total
	RM'000	RM'000	RM'000
BANK			
At 1 January 2014	430	1,137	1,567
Recognised in profit or loss	(74)	913	839
At 31 December 2014	356	2,050	2,406
Recognised in profit or loss	(19)	736	717
At 31 December 2015	337	2,786	3,123

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

	BANK	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost, in Malaysia	1,000	1,000

The subsidiary of the Bank is as follows:

Name	Principal activities	Percentage of equity held 2015 %	Percentage of equity held 2014 %
China Bridge (Malaysia) Sdn. Bhd.	Chinese visa application services	100	100

11. PROPERTY AND EQUIPMENT

GROUP 2015	Computer equipment RM'000	Motor vehicles RM'000	Office equipment and furniture RM'000	Renovations RM'000	Buildings RM'000	Business outlet RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
COST									
At 1 January	4,965	2,265	4,939	9,065	14,103	-	-	1,555	36,892
Additions	710	972	1,595	1,091	-	18,000	1,875	-	24,243
Reclassification	29	-	103	1,423	-	-	-	(1,555)	-
Write-offs	(1,840)	-	(89)	(247)	-	-	-	-	(2,176)
At 31 December	3,864	3,237	6,548	11,332	14,103	18,000	1,875	-	58,959
ACCUMULATED DEPRECIATION									
At 1 January	4,063	1,498	3,061	5,084	98	-	-	-	13,804
Charge for the financial year (Note 22)	562	341	654	1,243	391	436	-	-	3,627
Reclassification	-	-	-	-	-	-	-	-	-
Write-offs	(1,839)	-	(87)	(111)	-	-	-	-	(2,037)
At 31 December	2,786	1,839	3,628	6,216	489	436	-	-	15,394
NET CARRYING AMOUNT	1,078	1,398	2,920	5,116	13,614	17,564	1,875	-	43,565

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11. PROPERTY AND EQUIPMENT (CONTINUED)

GROUP 2014	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovations RM'000	Buildings RM'000	Business outlet RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
COST									
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	(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
ACCUMULATED DEPRECIATION									
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
NET CARRYING AMOUNT	902	767	1,878	3,981	14,005	-	-	1,555	23,088

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11. PROPERTY AND EQUIPMENT (CONTINUED)

BANK 2015	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovations RM'000	Buildings RM'000	Business outlet RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
COST									
At 1 January	4,401	2,264	3,835	7,085	14,103	-	-	1,513	33,201
Additions	701	972	1,590	1,091	-	18,000	1,875	-	24,229
Reclassification	29	-	102	1,382	-	-	-	(1,513)	-
Write-offs	(1,840)	-	(89)	(247)	-	-	-	-	(2,176)
At 31 December	3,291	3,236	5,438	9,311	14,103	18,000	1,875	-	55,254
ACCUMULATED DEPRECIATION									
At 1 January	3,715	1,497	2,730	5,052	98	-	-	-	13,092
Charge for the financial year (Note 22)	457	341	462	846	391	436	-	-	2,933
Reclassification	-	-	-	-	-	-	-	-	-
Write-offs	(1,839)	-	(87)	(111)	-	-	-	-	(2,037)
At 31 December	2,333	1,838	3,105	5,787	489	436	-	-	13,988
NET CARRYING AMOUNT	958	1,398	2,333	3,524	13,614	17,564	1,875	-	41,266

11. PROPERTY AND EQUIPMENT (CONTINUED)

BANK 2014	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovations RM'000	Buildings RM'000	Business outlet RM'000	ATM machine RM'000	Work-in-progress RM'000	Total RM'000
COST									
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	100	-	159	665	14,103	-	-	(15,277)	(250)
Write-offs	-	-	(40)	-	-	-	-	-	(40)
At 31 December	4,401	2,264	3,835	7,085	14,103	-	-	1,513	33,201
ACCUMULATED DEPRECIATION									
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	3,715	1,497	2,730	5,052	98	-	-	-	13,092
NET CARRYING AMOUNT	686	767	1,105	2,033	14,005	-	-	1,513	20,109

12. INTANGIBLE ASSETS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Computer Software				
Cost:				
At 1 January	3,609	3,335	3,592	3,318
Additions	-	24	-	24
Reclass from work-in-progress (Note 11)	-	250	-	250
At 31 December	3,609	3,609	3,592	3,592
Accumulated amortisation:				
At 1 January	3,344	3,227	3,329	3,212
Charge for the financial year (Note 22)	93	117	91	117
At 31 December	3,437	3,344	3,420	3,329
Net book value	172	265	172	263

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13. DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Demand deposits	859,948	452,809	870,165	461,541
Savings deposits	127,337	101,377	127,337	101,377
Fixed deposits	4,921,562	3,964,159	4,921,562	3,964,159
Negotiable instruments of deposits	150,838	200,299	150,838	200,299
	6,059,685	4,718,644	6,069,902	4,727,376

(ii) By type of customers

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,130	10,299	5,130	10,299
Business enterprises	2,176,056	1,169,050	2,186,273	1,177,782
Individuals	1,820,064	1,607,864	1,820,064	1,607,864
Others	2,058,435	1,931,431	2,058,435	1,931,431
	6,059,685	4,718,644	6,069,902	4,727,376

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Due within six months	4,398,672	3,325,941	4,398,672	3,325,941
Six months to one year	667,976	788,278	667,976	788,278
One year to three years	5,752	50,239	5,752	50,239
	5,072,400	4,164,458	5,072,400	4,164,458

14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Bank Negara Malaysia	54,554	66,895
Licensed banks	951,102	3,840,611
Licensed investment banks	256	1,329
Licensed Islamic banks	105	169
Other financial institutions	3	-
	1,006,020	3,909,004

15. OTHER LIABILITIES

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	23,578	20,318	22,882	19,655
Margin deposits	55,978	8,258	55,978	8,258
Other liabilities	123,126	38,589	121,691	37,115
	202,682	67,165	200,551	65,028

16. SHARE CAPITAL

	Number of ordinary shares of RM1.00 each		Amount	
	2015	2014	2015	2014
	000	000	RM'000	RM'000
GROUP AND BANK				
Authorised:				
At 1 January	804,000	304,000	804,000	304,000
Created during the financial year	-	500,000	-	500,000
At 31 December	804,000	804,000	804,000	804,000
Issued and fully paid:				
At 1 January	760,518	304,000	760,518	304,000
Issued during the financial year	-	456,518	-	456,518
At 31 December	760,518	760,518	760,518	760,518

17. RESERVES

(a) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2015 under the single tier system.

(b) Statutory reserve

The statutory reserve is maintained in compliance with Section 47 of the Financial Services Act, 2014 and is not distributable as cash dividends.

(c) Regulatory reserve

The regulatory reserve is maintained in addition to the collective impairment provision that has been assessed and recognised in accordance with MFRS and is transferred from the retained profits of the Bank in accordance with BNM guidelines.

18. OPERATING REVENUE

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

19. INTEREST INCOME

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Loans and advances		
- Interest income on non-impaired loans	249,933	204,071
- Interest income on impaired loans	1,686	620
Money at call and deposit placements with financial institutions	103,380	215,513
Held-to-maturity securities	18,372	8,923
	373,371	429,127
Amortisation of premium less accretion of discount	(291)	(222)
	373,080	428,905

20. INTEREST EXPENSE

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	65,809	129,638
Deposits from customers	153,865	131,656
Others	55	30
	219,729	261,324

21. OTHER OPERATING INCOME

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Fee on loans and advances	14,071	16,386	14,071	16,386
- Service charges and fees	37,008	38,010	3,973	5,114
- Guarantee fees	12,619	6,895	12,619	6,895
	63,698	61,291	30,663	28,395
Fee expense:				
- Commission related expenses	(11,636)	(11,591)	-	-
Net fee income	52,062	49,700	30,663	28,395
Foreign exchange income:				
- Realised	29,389	(1,578)	29,389	(1,578)
- Unrealised	2,247	3,744	2,247	3,744
Net gain/(loss) on revaluation of derivatives	1,331	(526)	1,331	(526)
Revenue from sale of precious metal products	3,638	9,122	3,638	9,122
Net gain on disposal of property and equipment	47	-	47	-
Other income:				
- Dividend income from subsidiary	-	-	12,500	10,000
- Others	142	25	353	145
	88,856	60,487	80,168	49,302

22. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries & wages (includes CEO/EDs)	30,279	23,327	28,596	21,818
Bonuses	16,214	13,473	15,820	13,203
Defined contribution plan ("EPF")	4,806	4,266	4,611	4,085
Staff welfare expenses	1,829	1,457	1,623	1,255
Other personnel costs	4,720	3,258	4,594	3,128
	57,848	45,781	55,244	43,489
Marketing expenses				
Entertainment	1,544	1,236	1,544	1,231
Other marketing	1,804	1,017	1,804	1,015
	3,348	2,253	3,348	2,246
Establishment costs				
Rental of premises	6,694	6,679	5,335	5,038
Depreciation of property and equipment (Note 11)	3,627	4,408	2,933	4,145
Amortisation of intangible assets (Note 12)	93	117	91	117
Repairs and maintenance	563	333	557	319
Property and equipment written off (Note 11)	139	1	139	1
Information technology expenses	2,478	2,343	2,471	2,327
Other establishment costs	363	406	342	353
	13,957	14,287	11,868	12,300
Administration and general expenses				
Insurance premium	584	397	580	392
Travelling and accommodation	2,448	1,627	2,398	1,567
Telecommunication and utilities	1,035	1,047	930	966
Printing, stationery and postage	795	667	672	533
Legal and professional fees	1,374	510	1,368	489
Other administration and general expenses	4,644	1,991	4,386	1,685
	10,880	6,239	10,334	5,632
Other expenses				
Cost of sales of precious metal products	3,091	7,793	3,091	7,793
	89,124	76,353	83,885	71,460

The above expenditure includes the following statutory disclosures:

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- audit	197	172	155	133
- regulatory-related services	70	30	70	30
- other services	25	23	15	13
Directors' remuneration (Note 23)	1,782	1,396	1,782	1,396

23. DIRECTORS' REMUNERATION

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

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Executive Director		
- salary and other remuneration	875	689
- bonus	666	521
- benefits-in-kind	66	66
	1,607	1,276
Non-Executive Directors		
Fees		
- Datuk Ter Leong Yap	80	55
- Chai Woon Chew	95	65
	175	120
	1,782	1,396

The remuneration attributable to the Executive Director/Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM1,606,750 (2014: RM1,276,039).

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

	GROUP AND BANK Number of Directors	
	2015	2014
Executive Director		
RM1,000,001 - RM1,500,000	-	1
RM1,500,001 - RM2,000,000	1	-
Non-Executive Directors		
RM50,001 - RM100,000	2	2

24. ALLOWANCE FOR IMPAIRMENT FOR LOANS AND ADVANCES

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Allowance for impaired loans and advances		
(a) Individual impairment allowance		
- made during the financial year (Note 6 (vii))	7,090	-
- written back during the financial year (Note 6 (vii))	(236)	-
(b) Collective impairment allowance		
- made during the financial year (Note 6 (vii))	5,925	1,156
	12,779	1,156

25. TAXATION

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tax expense for the financial year:				
- Malaysian income tax	35,884	39,419	31,760	35,437
- Foreign tax	2,596	17,909	2,596	17,909
Less : Double taxation relief	(1,801)	(13,170)	(1,801)	(13,170)
- Underprovision in prior financial years	278	115	204	128
	36,957	44,273	32,759	40,304
Deferred tax (Note 8):				
- Origination and reversal of temporary differences, net	845	(578)	876	(692)
- Reduction in Malaysian income tax rate	119	-	116	-
- (Over)/under provision in prior financial years	(233)	561	(148)	568
	731	(17)	844	(124)
Total tax expense	37,688	44,256	33,603	40,180

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

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	140,304	150,559	136,855	144,267
Statutory tax rate in Malaysia, 25%	35,076	37,640	34,214	36,067
Tax effect in respect of:				
Non-allowable expenses	1,653	1,201	1,547	1,178
Non-taxable income	-	-	(3,125)	(2,500)
Effect of different tax rates in other countries	795	4,739	795	4,739
Effect of reduction in Malaysian income tax rate	119	-	116	-
Under/(over) provision in prior years:				
- Income tax	278	115	204	128
- Deferred tax	(233)	561	(148)	568
Tax expense	37,688	44,256	33,603	40,180

25. TAXATION (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory tax rate at 25% (31 December 2014: 25%) on the estimated profit for the financial year. The statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016.

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.

	GROUP	
	2015	2014
	RM'000	RM'000
Net profit attributable to equity holder	102,616	106,303
Weighted average number of ordinary shares in issue	760,518	436,578
Basic/fully diluted earnings per share (sen)	13.49	24.35

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are related to the Group and the Bank if the Group and the Bank has the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice-versa, or where the Group and the Bank and the party are subject to common control or common significant influence.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or of the Bank either direct or indirectly. The key management personnel includes the Directors and senior management of the Group and of the Bank.

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Holding company	Fellow subsidiaries	Key management personnel
GROUP	RM'000	RM'000	RM'000
2015			
INCOME			
Interest income:			
- Deposits and placements with banks and other financial institutions	43,419	4,783	-
- Housing loan	-	-	24
	43,419	4,783	24
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institutions	46,665	4,414	-
- Deposits from customers	-	-	1
Administrative expenses	131	1,612	-
	46,796	6,026	1
2014			
INCOME			
Interest income:			
- Deposits and placements with banks and other financial institutions	162,688	227	-
- Housing loan	-	-	22
	162,688	227	22
EXPENSES			
Interest expenses:			
- Deposits and placements of banks and other financial institutions	55,954	-	-
- Deposits from customers	-	-	18
Administrative expenses	-	388	-
	55,954	388	18

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (Continued)

BANK	Holding company RM'000	Fellow subsidiaries RM'000	Subsidiary RM'000	Key management personnel RM'000
2015				
INCOME				
Interest income:				
- Deposits and placements with banks and other financial institutions	43,419	4,783	-	-
- Housing loan	-	-	-	24
Other operating income:				
- Dividend income	-	-	12,500	-
- Others	-	-	211	-
	43,419	4,783	12,711	24
EXPENSES				
Interest expenses:				
- Deposits and placements of banks and other financial institutions	46,665	4,414	-	-
- Deposits from customers	-	-	-	1
Administrative expenses	131	1,612	-	-
	46,796	6,026	-	1
2014				
INCOME				
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	-
	162,688	227	10,120	22
EXPENSES				
Interest expenses:				
- Deposits and placements of banks and other financial institutions	55,954	-	-	-
- Deposits from customers	-	-	-	18
Administrative expenses	-	388	-	-
	55,954	388	-	18

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27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances

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

	Holding company	Fellow subsidiaries	Key management personnel
GROUP	RM'000	RM'000	RM'000
2015			
AMOUNT DUE FROM			
Cash and short-term funds	320,103	484,692	-
Deposits and placements with banks and other financial institutions	981,577	-	-
Housing loan	-	-	634
	1,301,680	484,692	634
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	754,261	17,198	-
Deposits from customers	494,486	-	2,124
	1,248,747	17,198	2,124
2014			
AMOUNT DUE FROM			
Cash and short-term funds	1,392,401	455,595	-
Deposits and placements with banks and other financial institutions	279,775	-	-
Housing loan	-	-	668
	1,672,176	455,595	668
AMOUNT DUE TO			
Deposits and placements of banks and other financial institutions	3,090,939	-	-
Deposits from customers	-	-	912
	3,090,939	-	912

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (Continued)

BANK	Holding company RM'000	Fellow subsidiaries RM'000	Subsidiary RM'000	Key management personnel RM'000
2015				
AMOUNT DUE FROM				
Cash and short-term funds	320,103	484,692	-	-
Deposits and placements with banks and other financial institutions	981,577	-	-	-
Housing loan	-	-	-	634
	1,301,680	484,692	-	634
AMOUNT DUE TO				
Deposits and placements of banks and other financial institutions	754,261	17,198	-	-
Deposits from customers	494,486	-	10,217	2,124
	1,248,747	17,198	10,217	2,124
2014				
AMOUNT DUE FROM				
Cash and short-term funds	1,392,401	455,595	-	-
Deposits and placements with banks and other financial institutions	279,775	-	-	-
Housing loan	-	-	-	668
	1,672,176	455,595	-	668
AMOUNT DUE TO				
Deposits and placements of banks and other financial institutions	3,090,939	-	-	-
Deposits from customers	-	-	8,732	912
	3,090,939	-	8,732	912

Included in the table above are deposits payable to the Directors of the Group and of the Bank amounting to RM602,000 (31 December 2014: RM777,000).

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Key management personnel compensation

The remuneration of Directors and other key management personnel during the financial year are as follows:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Fees	175	120
Salaries and other short-term benefits	5,296	4,428
Defined contribution plan ('EPF')	-	132
Benefits-in-kind	133	139
	5,604	4,819

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

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, the Bank is required to disclose the following information:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Outstanding credit exposures with connected parties	818,513	654,680
Outstanding credit exposures with connected parties as a percentage of total credit exposures	14%	11%
Percentage of outstanding credit exposures with connected parties which are non-performing or in default	0%	0%

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.

The commitments and contingencies constitute the following:

	Group and Bank					
	31 December 2015			31 December 2014		
	Principal RM'000	Credit* equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit* equivalent RM'000	Risk weighted RM'000
Direct credit substitutes	80,517	80,517	60,507	73,805	73,805	57,461
Transaction-related contingent items	1,461,522	730,761	364,822	1,234,096	617,048	271,515
Short-term self-liquidation trade related	64,553	12,911	11,244	22,360	4,472	4,461
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,028,447	205,689	185,002	1,187,031	237,406	221,426
- Maturity exceeding one year	272,277	136,139	86,398	350,416	175,208	123,227
Foreign exchange related contracts:						
- Less than one year	419,525	2,709	717	1,269,346	12,059	2,412
Total	3,326,841	1,168,726	708,690	4,137,054	1,119,998	680,502

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

30. LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rental of premises and equipment on hire, all of which are classified as operating leases. The future minimum lease payments under non-cancellable operating leases as follows:

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	5,783	5,882	5,091	4,561
Later than 1 year but not later than 5 years	4,701	2,638	4,701	1,947
	10,484	8,520	9,792	6,508

31. CAPITAL COMMITMENTS

	GROUP		BANK	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property and equipment				
- approved by the Board and contracted for	2,168	901	2,168	901

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 for year 2015 are as follows:

CET 1 Capital Ratio	4.5%
Tier 1 Capital Ratio	6.0%
Total Capital Ratio	8.0%

32. CAPITAL ADEQUACY (CONTINUED)

	GROUP 2015 RM'000	GROUP 2014 RM'000	BANK 2015 RM'000	BANK 2014 RM'000
Common Equity Tier 1 (CET 1) Capital				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	175,396	147,077	163,473	134,518
Statutory reserve	223,231	171,605	223,231	171,605
Regulatory reserve	22,671	-	22,671	-
	1,181,816	1,079,200	1,169,893	1,066,641
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(2,866)	(3,627)	(2,783)	(3,627)
- Regulatory reserve attributable to loans and advances	(22,671)	-	(22,671)	-
	(25,537)	(3,627)	(25,454)	(3,627)
Total CET 1 Capital / Total Tier 1 Capital	1,156,279	1,075,573	1,144,439	1,063,014
Tier-2 capital				
Collective impairment allowance	34,407	26,962	34,407	26,962
Regulatory reserve	22,671	-	22,671	-
Less: Investment in subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 Capital	57,078	26,962	56,078	25,962
Total Capital Base	**1,213,357**	**1,102,535**	**1,200,517**	**1,088,976**

	GROUP 2015	GROUP 2014	BANK 2015	BANK 2014
Capital ratios				
CET 1 Capital Ratio	21.381%	21.684%	21.310%	21.570%
Tier 1 Capital Ratio	21.381%	21.684%	21.310%	21.570%
Total Capital Ratio	22.437%	22.228%	22.354%	22.097%

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

	GROUP 2015 RM'000	GROUP 2014 RM'000	BANK 2015 RM'000	BANK 2014 RM'000
Credit risk	5,025,085	4,662,667	5,021,628	4,658,214
Market risk	9,179	9,599	9,179	9,599
Operational risk	373,649	287,921	339,583	260,424
	5,407,913	4,960,187	5,370,390	4,928,237

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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(i) Maximum exposure to credit risk (Continued)

	GROUP		BANK	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Items recognised in the statements of financial position				
Cash and short-term funds (exclude cash in hand)	1,934,676	3,594,064	1,932,027	3,590,299
Deposits and placements with banks and other financial institutions	1,162,832	456,101	1,162,832	456,101
Held-to-maturity securities	429,633	529,158	429,633	529,158
Loans and advances	4,722,114	5,052,027	4,722,114	5,052,027
Statutory deposits with Bank Negara Malaysia	128,200	77,200	128,200	77,200
Derivative assets	2,273	1,790	2,273	1,790
	8,379,728	9,710,340	8,377,079	9,706,575
Items not recognised in the statements of financial position				
Contingent liabilities	1,606,592	1,330,261	1,606,592	1,330,261
Credit commitments	1,300,724	1,537,447	1,300,724	1,537,447
Foreign exchange related contracts	419,525	1,269,346	419,525	1,269,346
Total maximum credit risk exposure	11,706,569	13,847,394	11,703,920	13,843,629

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 65% (31 December 2014: 90%). 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:

GROUP 2015	Short-term funds and placements with financial institutions RM'000	Financial investment held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and Contigencies RM'000
Primary agriculture	-	-	378,212	-	378,212	29,713
Mining and quarrying	-	-	51,184	-	51,184	16,764
Manufacturing	-	-	1,028,990	-	1,028,990	244,638
Electricity, gas and water supply	-	-	78,160	-	78,160	500
Construction	-	-	505,487	-	505,487	427,371
Real estate	-	-	1,124,482	-	1,124,482	70,470
Research and Development	-	-	487	-	487	1
Wholesale and retail trade and restaurants and hotels	-	-	255,688	-	255,688	32,217
Transport, storage and communication	-	-	106,278	-	106,278	207,055
Finance, insurance and business services	1,970,291	40,104	314,851	2,273	2,327,519	37,874
Household	-	-	890,678	-	890,678	74,136
Government and government agencies	1,127,217	389,529	-	128,200	1,644,946	-
Education, health and others	-	-	5,912	-	5,912	148
Others	-	-	23,865	-	23,865	27,839
	3,097,508	429,633	4,764,274	130,473	8,421,888	1,168,726
Assets not subject to credit risk	16,570	-	-	55,698	72,268	-
	3,114,078	429,633	4,764,274^	186,171 #	8,494,156	1,168,726

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM34,406,814 and RM7,753,400 respectively.
# Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets and derivative assets.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

GROUP 2014	Short-term funds and placements with financial institutions RM'000	Financial investment held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and Contigencies 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^	129,510#	9,804,237	1,119,998

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.
# 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:

BANK 2015	Short-term funds and placements with financial institutions RM'000	Financial investment held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and Contigencies RM'000
Primary agriculture	-	-	378,212	-	378,212	29,713
Mining and quarrying	-	-	51,184	-	51,184	16,764
Manufacturing	-	-	1,028,990	-	1,028,990	244,638
Electricity, gas and water supply	-	-	78,160	-	78,160	500
Construction	-	-	505,487	-	505,487	427,371
Real estate	-	-	1,124,482	-	1,124,482	70,470
Research and Development	-	-	487	-	487	1
Wholesale and retail trade and restaurants and hotels	-	-	255,688	-	255,688	32,217
Transport, storage and communication	-	-	106,278	-	106,278	207,055
Finance, insurance and business services	1,967,642	40,104	314,851	2,273	2,324,870	37,874
Household	-	-	890,678	-	890,678	74,136
Government and government agencies	1,127,217	389,529	-	128,200	1,644,946	-
Education, health and others	-	-	5,912	-	5,912	148
Others	-	-	23,865	-	23,865	27,839
	3,094,859	429,633	4,764,274	130,473	8,419,239	1,168,726
Assets not subject to credit risk	16,568	-	-	53,688	70,256	-
	3,111,427	429,633	4,764,274 ^	184,161 #	8,489,495	1,168,726

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM34,406,814 and RM7,753,400 respectively.
# Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets and derivative assets.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

BANK 2014	Short-term funds and placements with financial institutions RM'000	Financial investment held-to-maturity RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and Contigencies 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 ^	126,756 #	9,797,716	1,119,998

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,687 and RM898,666 respectively.
# Other assets include intangible assets, property and equipment, statutory deposits with BNM, deferred tax assets,derivative assets and tax recoverable.

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:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Neither past due nor impaired	4,642,079	4,949,309
Past due but not impaired	78,783	113,614
Impaired	43,412	16,965
Gross loans, advances and financing	4,764,274	5,079,888
Less: Individual impairment allowance	(7,753)	(899)
Collective impairment allowance	(34,407)	(26,962)
Net loans and advances	4,722,114	5,052,027

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 with a good credit status, low probability of default within the next year, strong repayment capability and limited credit risks.
- “BBB – B” refers to customers with 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 with a poor credit status, high probability of defaults within the next year, poor operating condition and financial status and significant credit risks.

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.

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
AAA - A	2,282,059	1,844,249
BBB - B	1,196,013	986,532
CCC - C	85,387	47,869
Unrated	1,078,620	2,070,659
	4,642,079	4,949,309

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.

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Between 1 – 30 days past due	60,572	102,871
Between 31 – 60 days past due	16,628	9,955
Between 61 – 90 days past due	1,583	788
	78,783	113,614

Loans and advances impaired

Loans and advances that are individually determined to be impaired as at 31 December 2015 are as follows:

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Corporate	37,141	13,949
Individual	6,271	3,016
	43,412	16,965

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 2015, based on Moody's ratings or their equivalent:

	Cash and short term funds	Deposits and placements with banks and other FIs	Financial investment held-to-maturity	Other assets
GROUP	RM'000	RM'000	RM'000	RM'000
2015				
Aa3/A-/A	221,025	-	-	-
A1/BBB+	583,770	981,577	-	-
A3	2,655	181,255	40,104	-
Baa1/Ba2	10	-	-	-
Unrated				
- Bank Negara Malaysia/sovereign	1,127,216	-	389,529	128,200
- Others	16,570	-	-	2,273
	1,951,246	1,162,832	429,633	130,473
2014				
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
	3,609,580	456,101	529,158	78,990

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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 short term funds	Deposits and placements with banks and other FIs	Financial investment held-to-maturity	Other assets
BANK	RM'000	RM'000	RM'000	RM'000
2015				
Aa3/A-/A	221,025	-	-	-
A1/BBB+	583,770	981,577	-	-
A3	6	181,255	40,104	-
Baa1/Ba2	10	-	-	-
Unrated				
- Bank Negara Malaysia/sovereign	1,127,216	-	389,529	128,200
- Others	16,568	-	-	2,273
	1,948,595	1,162,832	429,633	130,473
2014				
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
	3,605,813	456,101	529,158	78,990

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 liquidity risk appetites and established necessary management action triggers to manage its liquidity risk for regulatory compliance and to meet holding company expectations. Necessary policies and procedures, including the escalation processes are established to promote effective oversight of the liquidity risk. In addition, the Bank has also formulated a Contingency Funding Plan to manage potential liquidity crisis.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below which analyses assets and liabilities (includes non financial instruments) as at 31 December 2015 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

GROUP 2015	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	1,951,246	-	-	-	-	-	1,951,246
Deposits and placements with banks and other financial institutions	50,144	-	712,257	400,431	-	-	1,162,832
Derivatives assets	2,176	28	34	35	-	-	2,273
Held-to-maturity securities	40,104	1,466	2,591	282	99,897	285,293	429,633
Gross loans and advances	1,050,347	562,961	419,298	384,050	73,018	2,274,600	4,764,274^
Other assets	6,281	-	27	666	2,866	174,058	183,898
Total assets	3,100,298	564,455	1,134,207	785,464	175,781	2,733,951	8,494,156
Deposits from customers	1,630,376	1,624,657	1,419,399	711,524	667,977	5,752	6,059,685
Deposits and placements of banks and other financial institutions	181,997	-	333,260	-	-	490,763	1,006,020
Derivatives liabilities	888	25	26	19	-	-	958
Other liabilities	169,805	8,626	-	-	25,086	-	203,517
Total liabilities	1,983,066	1,633,308	1,752,685	711,543	693,063	496,515	7,270,180
Net liquidity gap - Total assets less total liabilities	1,117,232	(1,068,853)	(618,478)	73,921	(517,282)	2,237,436	1,223,976

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM34,406,814 and RM7,753,400 respectively.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below which 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:

GROUP 2014	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	2,642,198	967,382	-	-	-	-	3,609,580
Deposits and placements with banks 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^
Other assets	12,068	677	261	560	11,976	102,178	127,720
Total assets	3,016,024	2,190,933	1,354,209	763,270	456,900	2,022,901	9,804,237
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 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
Total liabilities	1,773,397	2,408,403	2,470,882	335,666	1,304,223	404,605	8,697,176
Net liquidity gap - Total assets less total liabilities	1,242,627	(217,470)	(1,116,673)	427,604	(847,323)	1,618,296	1,107,061

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM26,961,887 and RM898,666 respectively.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below which analyses assets and liabilities (includes non financial instruments) as at 31 December 2015 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's guideline on Financial Reporting:

BANK 2015	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	1,948,595	-	-	-	-	-	1,948,595
Deposits and placements with banks and other financial institutions	50,144	-	712,257	400,431	-	-	1,162,832
Derivatives assets	2,176	28	34	35	-	-	2,273
Held-to-maturity securities	40,104	1,466	2,591	282	99,897	285,293	429,633
Gross loans and advances	1,050,347	562,961	419,298	384,050	73,018	2,274,600	4,764,274^
Other assets	5,976	-	27	666	2,783	172,436	181,888
Total assets	3,097,342	564,455	1,134,207	785,464	175,698	2,732,329	8,489,495
Deposits from customers	1,630,376	1,624,657	1,429,616	711,524	667,977	5,752	6,069,902
Deposits and placements of banks and other financial institutions	181,997	-	333,260	-	-	490,763	1,006,020
Derivatives liabilities	888	25	26	19	-	-	958
Other liabilities	169,625	7,446	-	-	23,491	-	200,562
Total liabilities	1,982,886	1,632,128	1,762,902	711,543	691,468	496,515	7,277,442
Net liquidity gap - Total assets less total liabilities	1,114,456	(1,067,673)	(628,695)	73,921	(515,770)	2,235,814	1,212,053

^ Excludes collective impairment allowance and individual impairment allowance amounting to RM34,406,814 and RM7,753,400 respectively.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The table below which 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:

BANK 2014	Within 1 week RM'000	>1 week to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	Over 1 year RM'000	Total RM'000
Cash and short-term funds	2,638,431	967,382	-	-	-	-	3,605,813
Deposits and placements with banks 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^
Other assets	11,618	677	261	560	11,976	99,874	124,966
Total assets	3,011,807	2,190,933	1,354,209	763,270	456,900	2,020,597	9,797,716
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 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
Total liabilities	1,780,824	2,408,413	2,470,902	335,666	1,302,804	404,605	8,703,214
Net liquidity gap - Total assets less total liabilities	1,230,983	(217,480)	(1,116,693)	427,604	(845,904)	1,615,992	1,094,502

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

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 is based on undiscounted basis and will not agree to the balances reported in the statements of financial position.

GROUP	Within 1 week	>1 week to 1 month	>1-3 months	>3-6 months	>6-12 months	Over 1 year	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities							
Deposits from customers	1,620,620	1,628,495	1,430,735	721,919	685,057	5,962	6,092,788
Deposits and placements of banks and other financial institutions	181,997	-	335,207	-	-	521,373	1,038,577
Derivatives liabilities	888	25	26	19	-	-	958
Other liabilities	169,803	8,630	-	-	25,094	-	203,527
	1,973,308	1,637,150	1,765,968	721,938	710,151	527,335	7,335,850
2014							
Financial liabilities							
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 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
	1,773,762	2,413,081	2,477,256	339,763	1,339,651	440,753	8,784,266

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 is based on undiscounted basis and will not agree to the balances reported in the statements of financial position.

BANK	Within 1 week	>1 week to 1 month	>1-3 months	>3-6 months	>6-12 months	Over 1 year	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities							
Deposits from customers	1,630,836	1,628,495	1,430,735	721,919	685,057	5,962	6,103,004
Deposits and placements of banks and other financial institutions	181,997	-	335,207	-	-	521,373	1,038,577
Derivatives liabilities	888	25	26	19	-	-	958
Other liabilities	169,623	7,450	-	-	23,500	-	200,573
	1,983,344	1,635,970	1,765,968	721,938	708,557	527,335	7,343,112
2014							
Financial liabilities							
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 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
	1,781,189	2,413,091	2,477,276	339,763	1,338,231	440,753	8,790,303

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:

	2015			2014		
	Less than 1 year	Over 1 year	Total	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	80,517	-	80,517	-	73,805	73,805
Transaction-related contingent items	622,938	838,584	1,461,522	703,359	530,737	1,234,096
Short-term self-liquidating trade-related contingencies	64,553	-	64,553	22,360	-	22,360
Irrevocable commitments to extend credit	1,028,447	272,277	1,300,724	1,187,031	350,416	1,537,447
Foreign exchange related contracts	419,525	-	419,525	1,269,346	-	1,269,346
	2,215,980	1,110,861	3,326,841	3,182,096	954,958	4,137,054

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

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 loss for the financial year end is estimated at RM5.9 million (2014: RM4.9 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 RM62,000 (2014: RM72,000) to the Group and the Bank.

The Bank is exposed to commodity price risk mainly related to bullion. The Bank manages such risk together with foreign exchange risk. An increase or decrease of 1% in market price would impact the fair value by RM6,002. (2014 : Nil).

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.

	←		Non-trading book			→		
GROUP	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets								
Cash and short-term funds	1,732,028	-	-	-	-	219,218	1,951,246	3.11
Deposits and placements with banks and other financial institutions	50,144	712,257	400,431	-	-	-	1,162,832	3.69
Derivative assets	-	-	-	-	-	2,273	2,273	
Held-to-maturity securities	40,104	-	101,362	288,167	-	-	429,633	3.40
Loans and advances								
- non-impaired	3,444,792	726,650	549,358	62	-	(34,407)	4,686,455	5.07
- impaired	43,412	-	-	-	-	(7,753)	35,659	
Other assets	-	-	-	-	-	9,095	9,095	
Deferred tax assets	-	-	-	-	-	2,866	2,866	
Property and equipment	-	-	-	-	-	43,565	43,565	
Intangible assets	-	-	-	-	-	172	172	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	128,200	128,200	
Total assets	5,310,480	1,438,907	1,051,151	288,229	-	363,229	8,451,996	

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	Non-trading book							
GROUP 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Liabilities								
Deposits from customers	2,388,197	1,429,616	1,379,501	5,752	-	856,619	6,059,685	4.01
Deposits and placements of banks and other financial institutions	133,331	333,260	-	490,763	-	48,666	1,006,020	2.74
Derivative liabilities	-	-	-	-	-	958	958	
Other liabilities	-	-	-	-	-	202,682	202,682	
Provision for taxation	-	-	-	-	-	835	835	
Total liabilities	2,521,528	1,762,876	1,379,501	496,515	-	1,109,760	7,270,180	
Total equity	-	-	-	-	-	1,181,816	1,181,816	
Total liabilities and equity	2,521,528	1,762,876	1,379,501	496,515	-	2,291,576	8,451,996	
On balance sheet - interest sensitivity gap	2,788,952	(323,969)	(328,350)	(208,286)	-	(1,928,347)	-	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	2,788,952	(323,969)	(328,350)	(208,286)	-	(1,928,347)	-	

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	Non-trading book							
GROUP 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Assets								
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								
- non-impaired	3,103,405	987,515	971,976	27	-	(26,962)	5,035,961	4.70
- 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	
Total assets	6,569,440	1,395,733	1,266,929	201,818	-	342,456	9,776,376	

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	Non-trading book							
GROUP 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Liabilities								
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 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	
Total liabilities	3,638,437	2,469,398	1,618,342	404,605	-	566,394	8,697,176	
Total equity	-	-	-	-	-	1,079,200	1,079,200	
Total liabilities and equity	3,638,437	2,469,398	1,618,342	404,605	-	1,645,594	9,776,376	
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)	-	

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	← Non-trading book →							
BANK	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets								
Cash and short-term funds	1,732,028	-	-	-	-	216,567	1,948,595	3.11
Deposits and placements with banks and other financial institutions	50,144	712,257	400,431	-	-	-	1,162,832	3.69
Derivative assets	-	-	-	-	-	2,273	2,273	
Held-to-maturity securities	40,104	-	101,362	288,167	-	-	429,633	3.40
Loans and advances								
- non-impaired	3,444,792	726,650	549,358	62	-	(34,407)	4,686,455	5.07
- impaired	43,412	-	-	-	-	(7,753)	35,659	
Other assets	-	-	-	-	-	8,467	8,467	
Deferred tax assets	-	-	-	-	-	2,783	2,783	
Property and equipment	-	-	-	-	-	41,266	41,266	
Intangible assets	-	-	-	-	-	172	172	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	128,200	128,200	
Total assets	5,310,480	1,438,907	1,051,151	288,229	-	358,568	8,447,335	

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	Non-trading book							
BANK	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Total	Effective interest rate
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Liabilities								
Deposits from customers	2,388,197	1,429,616	1,379,501	5,752	-	866,836	6,069,902	4.01
Deposits and placements of banks and other financial institutions	133,331	333,260	-	490,763	-	48,666	1,006,020	2.74
Derivative liabilities	-	-	-	-	-	958	958	
Other liabilities	-	-	-	-	-	200,551	200,551	
Provision for taxation	-	-	-	-	-	11	11	
Total liabilities	2,521,528	1,762,876	1,379,501	496,515	-	1,117,022	7,277,442	
Total equity	-	-	-	-	-	1,169,893	1,169,893	
Total liabilities and equity	2,521,528	1,762,876	1,379,501	496,515	-	2,286,915	8,447,335	
On balance sheet - interest sensitivity gap	2,788,952	(323,969)	(328,350)	(208,286)	-	(1,928,347)	-	
Off balance sheet - interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	2,788,952	(323,969)	(328,350)	(208,286)	-	(1,928,347)	-	

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk

	Non-trading book							
BANK 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Assets								
Cash and short-term funds	3,365,008	-	-	-	-	240,805	3,605,813	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								
- non-impaired	3,103,405	987,515	971,976	27	-	(26,962)	5,035,961	4.70
- 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	
Total assets	6,565,675	1,395,733	1,266,929	201,818	-	339,700	9,769,855	

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (Continued)

Interest rate risk (Continued)

	Non-trading book							
BANK 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Liabilities								
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 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	
Total liabilities	3,638,437	2,469,398	1,618,342	404,605	-	572,432	8,703,214	
Total equity	-	-	-	-	-	1,066,641	1,066,641	
Total liabilities and equity	3,638,437	2,469,398	1,618,342	404,605	-	1,639,073	9,769,855	
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)	-	

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 financial statements 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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value

As at 31 December 2015, the Group and the Bank only have fair valued financial instruments that falls under level 2 and level 3 as listed below:

	GROUP AND BANK					
	2015			2014		
	Valuation Technique			Valuation Technique		
	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets						
Derivative assets	2,273	-	2,273	1,790	-	1,790
Other assets						
- Precious metal inventory	286	263	549	-	-	-
	2,559	263	2,822	1,790	-	1,790
Financial liabilities						
Derivative liabilities	958	-	958	1,806	-	1,806

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:

	GROUP AND BANK			
	2015		2014	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Financial investment held-to-maturity				
- Level 1	389,529	388,264	448,861	443,300
- Level 2	40,104	40,103	80,297	80,290
	429,633	428,367	529,158	523,590

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Movement in level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments are determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value.

	GROUP AND BANK	
	2015	2014
	RM'000	RM'000
Other assets - precious metals:		
Balance at beginning of the financial year	-	-
Additions	860	-
Disposals	(597)	-
Balance at end of the financial year	263	-

There are no transfers between level 2 and level 3 during the current and previous financial year for the Group and the Bank.

Impact on fair value of level 3 financial instruments measured at fair value arising from changes to key assumptions. Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in level 3 of the fair value hierarchy.

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.

(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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(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.

(g) Precious metals

The fair values of financial assets are determined by reference to prices quoted by independent data providers and independent brokers.

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.

35. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

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 30 May 2016.