

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
ASSETS					
Cash and short-term funds	9	1,544,514	1,206,298	1,543,773	1,206,248
Deposits and placements with banks and other financial institutions	10	805,066	223,286	805,066	223,286
Held-to-maturity securities	11	71,260	40,413	71,260	40,413
Loans and advances	12	2,367,866	1,440,824	2,367,866	1,440,824
Other assets	13	22,184	13,121	21,804	12,657
Deferred tax assets		9,265	6,965	9,239	6,939
Statutory deposits with Bank Negara Malaysia		37,400	17,700	37,400	17,700
Property and equipment		6,728	7,388	5,766	6,311
Intangible assets		267	9	267	5
Investment in a subsidiary		-	-	1,000	1,000
TOTAL ASSETS		4,864,550	2,956,004	4,863,441	2,955,383
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	14	2,068,089	1,518,987	2,076,481	1,525,697
Deposits and placements of banks and other financial institutions	15	2,314,003	986,979	2,314,003	986,979
Other liabilities	16	53,800	35,484	52,886	34,373
Provision for taxation		5,347	1,532	5,182	1,367
TOTAL LIABILITIES		4,441,239	2,542,982	4,448,552	2,548,416
Financed by:					
Share capital		304,000	304,000	304,000	304,000
Reserves		119,311	109,022	110,889	102,967
SHAREHOLDERS' EQUITY		423,311	413,022	414,889	406,967
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,864,550	2,956,004	4,863,441	2,955,383
COMMITMENTS AND CONTINGENCIES	23	2,095,551	1,063,345	2,095,551	1,063,345

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED
30 JUNE 2012**

Group		2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
Interest income	17	40,376	18,401	71,925	34,882
Interest expense	18	(23,994)	(9,408)	(42,021)	(17,207)
Net interest income		16,382	8,993	29,904	17,675
Other operating income	19	10,686	7,767	20,064	16,354
Other operating expenses	20	(10,418)	(8,213)	(18,658)	(15,379)
Operating profit		16,650	8,547	31,310	18,650
Allowance for impairment on loans and advances	21	(3,500)	(1,311)	(14,023)	(1,311)
Profit before taxation		13,150	7,236	17,287	17,339
Taxation		(4,575)	(3,130)	(6,998)	(5,130)
Total comprehensive income for the period		8,575	4,106	10,289	12,209

Bank		2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
Interest income	17	40,376	18,401	71,925	34,882
Interest expense	18	(23,994)	(9,408)	(42,021)	(17,207)
Net interest income		16,382	8,993	29,904	17,675
Other operating income	19	8,022	4,890	14,694	10,839
Other operating expenses	20	(9,338)	(7,233)	(16,655)	(13,613)
Operating profit		15,066	6,650	27,943	14,901
Allowance for losses on loans and advances	21	(3,500)	(1,311)	(14,023)	(1,311)
Profit before taxation		11,566	5,339	13,920	13,590
Taxation		(4,075)	(2,630)	(5,998)	(4,130)
Profit for the financial period		7,491	2,709	7,922	9,460
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		7,491	2,709	7,922	9,460

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED
30 JUNE 2012**

	Issued and fully paid ordinary shares of RM1.00 each	Non- distributable Statutory reserves	Distributable Retained profits	Total
	Nominal value RM'000	RM'000	RM'000	RM'000
Group				
At 1 January 2012	304,000	72,218	36,804	413,022
Profit for the financial period	-	-	10,289	10,289
Total comprehensive income for the period	-	-	10,289	10,289
At 30 June 2012	304,000	72,218	47,093	423,311
At 1 January 2011	304,000	58,378	23,095	385,473
Net profit for the financial period	-	-	12,209	12,209
Total recognised income for the financial period	-	-	12,209	12,209
At 30 June 2011	<u>304,000</u>	<u>58,378</u>	<u>35,304</u>	<u>397,682</u>
Bank				
At 1 January 2012	304,000	72,218	30,749	406,967
Profit for the financial period	-	-	7,922	7,922
Total comprehensive income for the period	-	-	7,922	7,922
At 30 June 2012	304,000	72,218	38,671	414,889
At 1 January 2011	304,000	58,378	16,909	379,287
Profit for the financial period	-	-	9,640	9,640
Total comprehensive income for the period	-	-	9,640	9,640
At 30 June 2011	<u>304,000</u>	<u>58,378</u>	<u>26,549</u>	<u>388,927</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Group		Bank	
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		17,287	17,339	13,920	13,590
<i>Adjustment for:</i>					
Depreciation of property and equipment		779	753	663	662
Amortisation of intangible assets		57	39	55	36
Net gain on disposal of property and equipment		-	(30)	-	(30)
Amortisation of premium less accretion of discount		95	(42)	95	(42)
Allowance for losses on loans and advances		14,023	1,311	14,023	1,311
Interest income from held-to-maturity securities		(824)	(674)	(824)	(674)
Unrealised foreign exchange loss / (gain)		6,124	(27)	6,124	(27)
Property and equipment written off		-	17	-	2
Operating profit before changes in operating ssassets and liabilities		37,541	18,686	34,056	14,828
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(581,780)	(263,491)	(581,780)	(263,491)
Loans and advances		(941,065)	(247,500)	(941,065)	(247,500)
Held-to-maturity Securities		(30,802)	-	(30,802)	-
Other assets		(15,187)	6,811	(15,271)	6,612
Statutory deposits with Bank Negara Malaysia		(19,700)	(8,600)	(19,700)	(8,600)
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		549,102	457,698	550,784	460,239
Deposits and placements of banks and other financial institutions		1,327,024	463,489	1,327,024	463,489
Other liabilities		18,316	(19,642)	18,513	(19,103)
Cash generated from operating activities		343,449	407,451	341,759	406,474
Taxation paid		(5,483)	(4,000)	(4,483)	(3,000)
Net cash generated from operating activities		337,966	403,451	337,276	403,474
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(119)	(94)	(118)	(117)
Purchase of intangible assets		(315)	-	(317)	-
Proceeds from disposal of property and equipment		-	30	-	30
Interest received on held-to-maturity securities		684	751	684	751
Net cash generated from investing activities		250	687	249	664
CASH FLOWS FROM FINANCING ACTIVITIES					
		-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD					
		338,216	404,138	337,525	404,138
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD					
		1,206,298	1,173,318	1,206,248	1,173,316
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD					
	9	1,544,514	1,577,456	1,543,773	1,577,454

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the six months ended 30 June 2012 was higher as compared with the corresponding period in 2011 mainly due to loan growth of 64% especially loans in Renminbi offset by additional collective impairment allowance made. Despite of the high loan growth, the Bank continued to exercise prudence risk management. At the same time emphasis will be placed on the development of other Renminbi business and other conventional commercial banking products.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2011.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSS issued under the previous FRS framework were equivalent to the MFRSS issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSS.

3 Audit Report

The audit report for the financial period ended 31 December 2011 was not subject to any qualification.

4 Seasonal or Cyclical Factors

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

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the three months ended 30 June 2012.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the six months ended 30 June 2012.

7 Changes in Debt and Equity Securities

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

8 Dividend paid

No dividend was paid during the three months ended 30 June 2012.

9 Cash and short-term funds

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	240,461	64,166	239,720	64,116
Money at call and deposit placements maturing within 1 month	1,304,053	1,142,132	1,304,053	1,142,132
	1,544,514	1,206,298	1,543,773	1,206,248

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Bank Negara Malaysia	60,114	-
Other financial institutions	744,952	223,286
	<u>805,066</u>	<u>223,286</u>

11 Held-to-maturity securities

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	41,219	40,413
Negotiable instruments of deposits	30,041	-
	<u>71,260</u>	<u>40,413</u>

12 Loans and advances

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
At amortised cost		
(i) By type		
Overdrafts	166,838	193,072
Terms loans		
- Housing loans	16,823	10,162
- Syndicated term loan	284,349	210,870
- Other term loans	622,688	545,611
Revolving Credit	122,845	24,045
Bills receivable	1,008,242	295,209
Trust receipts	14,109	8,467
Claims on customers under acceptance credits	102,267	110,358
Staff loans	1,939	1,540
Loans to banks and other financial institutions	64,137	63,838
Total gross loans and advances	<u>2,404,237</u>	<u>1,463,172</u>
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(36,360)	(22,337)
- Individual assessment allowance	(11)	(11)
Total net loans and advances	<u>2,367,866</u>	<u>1,440,824</u>

(ii) By geographical distribution

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Malaysia	1,218,236	951,549
Other countries	1,186,001	511,623
	<u>2,404,237</u>	<u>1,463,172</u>

(iii) By interest rate sensitivity

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Fixed rate		
- Other fixed rate loan	985,161	296,530
Variable rate		
- BLR plus	785,416	664,312
- Cost plus	259,910	147,425
- Other variable rates	373,750	354,905
	<u>2,404,237</u>	<u>1,463,172</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

12 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Purchase of securities	29,164	29,169
Purchase of transport vehicles	21	25
Purchase of landed property:	376,707	261,071
- Residential	24,375	15,142
- Non-residential	352,332	245,929
Purchase of fixed assets other than land and building	3	652
Personal use	36,833	61,172
Construction	19,959	18,759
Working capital	1,766,078	959,478
Other purpose	175,472	132,846
	2,404,237	1,463,172

(v) By residual contractual maturity

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Up to one month	590,222	452,638
More than one month to three months	223,346	152,314
More than three months to six months	855,838	217,429
More than six months to twelve months	137,442	127,527
More than twelve months	597,389	513,264
	2,404,237	1,463,172

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

(vi) Impaired loans and advances

(a) Movements in impaired loans and advances

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
At beginning of financial period/year	93	2,921
Classified as impaired during the period/year	32,790	37
Amount recovered	-	(991)
Amount written off	-	(1,874)
At end of financial period/year	32,883	93
Individual assesment allowance	(11)	(11)
Net impaired loans and advances	32,872	82

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

1.37% 0.01%

(b) By geographical

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Malaysia	32,883	93

c) By purposes

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Purchase of residential property	177	93
Working capital	32,706	-
	32,883	93

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

12 Loans and advances (continued)

(vii) Allowance for impairment on loans and advances

Movements in allowance for impairment for loans and advances

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
Collective assessment allowance		
At beginning of the financial period/year	22,337	17,466
Allowance made during the financial period/year	14,023	4,871
At end of the financial period/year	<u>36,360</u>	<u>22,337</u>
Individual assessment allowance		
At beginning of the financial period/year	11	2,874
Amount recovered	-	(989)
Amount written off	-	(1,874)
At end of the financial period/year	<u>11</u>	<u>11</u>

13 Other Assets

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Other receivables	20,991	11,773	20,790	11,487
Sundry deposits	1,169	954	990	776
Prepayment	24	394	24	394
	<u>22,184</u>	<u>13,121</u>	<u>21,804</u>	<u>12,657</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

14 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Demand deposits	200,283	151,051	208,675	157,761
Savings deposits	39,821	39,575	39,821	39,575
Fixed deposits	1,826,385	1,326,761	1,826,385	1,326,761
Others	1,600	1,600	1,600	1,600
	2,068,089	1,518,987	2,076,481	1,525,697

(ii) By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	8,613	16,867	8,613	16,867
Business enterprises	1,286,708	843,708	1,295,100	850,418
Individuals	716,060	619,136	716,060	619,136
Others	56,708	39,276	56,708	39,276
	2,068,089	1,518,987	2,076,481	1,525,697

(iii) Maturity structure of fixed deposits and negotiable instrument of deposits are as follows:

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Due within six months	1,455,220	907,425
Six months to one year	332,558	417,169
More than one year	38,607	2,167
	1,826,385	1,326,761

15 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June	31 December
	2012	2011
	RM'000	RM'000
Bank Negara Malaysia	441,287	-
Licensed banks	1,872,033	986,025
Licensed investment banks	41	952
Other financial institutions	370	-
Licensed islamic banks	272	2
	2,314,003	986,979

16 Other Liabilities

	Group		Bank	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	7,949	7,679	7,560	7,169
Margin deposits	7,904	11,425	7,904	11,425
Other liabilities	37,947	16,380	37,422	15,779
	53,800	35,484	52,886	34,373

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

17 Interest income	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	23,786	11,387	44,315	21,550
Money at call and deposit placement with financial institutions	16,166	6,700	26,880	12,616
Securities				
- Held-to-maturity investments	424	314	730	716
	<u>40,376</u>	<u>18,401</u>	<u>71,925</u>	<u>34,882</u>

18 Interest Expense	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Deposits and placements of banks and other financial institutions	10,721	2,790	17,483	5,621
Deposits from customers	13,248	6,598	24,488	11,553
Others	25	20	50	33
	<u>23,994</u>	<u>9,408</u>	<u>42,021</u>	<u>17,207</u>

19 Other operating income	2nd Quarter Ended		Six Months Ended	
	Group		Group	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Fees income:				
- Fee on loans and advances	2,434	667	4,353	1,344
- Service charges and fees	4,273	4,484	8,598	8,477
- Guarantee fees	867	489	1,729	1,412
	<u>7,574</u>	<u>5,640</u>	<u>14,680</u>	<u>11,233</u>
Foreign exchange income:				
- Realised	8,595	1,968	11,386	5,059
- Unrealised	(5,605)	154	(6,124)	27
Gain from disposal of property and equipment	-	-	-	30
Other income	122	5	122	5
	<u>10,686</u>	<u>7,767</u>	<u>20,064</u>	<u>16,354</u>

Bank	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Fees income:				
- Fee on loans and advances	2,434	667	4,353	1,344
- Service charges and fees	1,579	1,582	3,168	2,907
- Guarantee fees	867	489	1,729	1,412
	<u>4,880</u>	<u>2,738</u>	<u>9,250</u>	<u>5,663</u>
Foreign exchange income:				
- Realised	8,595	1,968	11,386	5,059
- Unrealised	(5,605)	154	(6,124)	27
Gain from disposal of property and equipment	-	-	-	30
Other income	152	30	182	60
	<u>8,022</u>	<u>4,890</u>	<u>14,694</u>	<u>10,839</u>

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

**20 Other operating expenses
Group**

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	7,003	4,905	12,499	9,407
Salaries & wages	3,921	2,631	6,893	5,263
Bonuses	1,892	1,110	3,343	2,110
Defined contribution plan ("EPF")	808	502	1,415	993
Staff welfare expenses	134	340	435	476
Other personnel costs	248	322	413	565
Marketing expenses	169	177	294	334
Entertainment	149	137	235	270
Other marketing	20	40	59	64
Establishment costs	1,938	1,877	3,688	3,520
Rental of premises	818	829	1,673	1,637
Depreciation	391	390	779	753
Amortisation	46	18	57	39
Repairs and maintenance	97	94	232	257
Other establishment costs	586	546	947	834
Administration and general expenses	1,308	1,254	2,177	2,118
Insurance premium	135	143	183	209
Travelling and accommodation	346	118	516	199
Telecommunication and utilities	150	130	257	267
Printing, stationery and postage	136	121	320	283
Legal and professional fees	46	152	85	235
Other administration and general expenses	495	590	816	925
	10,418	8,213	18,658	15,379

Bank

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	6,248	4,318	11,135	8,298
Salaries & wages	3,541	2,301	6,127	4,592
Bonuses	1,588	962	2,901	1,855
Defined contribution plan ("EPF")	776	465	1,343	920
Staff welfare expenses	114	282	377	391
Other personnel costs	229	308	387	540
Marketing expenses	163	166	267	322
Entertainment	143	126	218	259
Other marketing	20	40	49	63
Establishment costs	1,679	1,568	3,177	2,986
Rental of premises	644	645	1,325	1,291
Depreciation	333	331	663	662
Amortisation	45	18	55	36
Repairs and maintenance	97	88	229	248
Other establishment costs	560	486	905	749
Administration and general expenses	1,248	1,181	2,076	2,007
Insurance premium	135	144	180	207
Travelling and accommodation	336	118	506	199
Telecommunication and utilities	138	121	234	248
Printing, stationery and postage	118	109	291	256
Legal and professional fees	46	126	85	209
Other administration and general expenses	475	563	780	888
	9,338	7,233	16,655	13,613

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

21 Allowance for impairment on loans and advances

	Six Months Ended Group and Bank			
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Collective assessment allowance				
- Made during the financial period	14,023		1,311	

22 Capital adequacy

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

	Bank	
	30 June 2012	31 December 2011
	RM'000	RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profits	30,749	30,749
Other reserves	72,218	72,218
	406,967	406,967
Less: Deferred tax assets	(9,239)	(6,939)
Total Tier-1 Capital	397,728	400,028
<u>Tier-2 capital</u>		
Collective assessment allowance	36,360	22,337
Total Tier-2 Capital	36,360	22,337
Less: Investment in a subsidiary	(1,000)	(1,000)
Total capital base	433,088	421,365
<u>Capital ratios</u>		
Core capital ratio	14.8%	22.7%
Risk-weighted capital ratio	16.1%	23.9%

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

Credit risk	2,572,284	1,669,138
Market risk	8,286	4,591
Operational risk	106,943	91,096
Total risk-weighted assets	2,687,513	1,764,825

The capital adequacy ratio of the Bank are disclosed pursuant to the requirements of Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II)-Disclosure Requirements (Pillar 3).

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

22 Capital Adequacy (Continued)

(c) The breakdown of risk-weighted assets ('RWA') by exposures in each major risk category as follows:

Bank 30 June 2012 Exposure Class	<u>Gross exposure</u> RM'000	<u>Net exposure</u> RM'000	<u>Risk- weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	847,655	847,655	-	-
Banks, development financial institutions & MDBs*	1,601,564	1,601,564	497,799	39,824
Corporate	2,387,703	2,387,703	1,707,571	136,606
Residential mortgages	16,533	16,533	6,863	549
Other assets	36,117	36,117	17,346	1,388
Total on-balance sheet exposure	4,889,572	4,889,572	2,229,579	178,366
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	527,484	527,484	342,705	27,416
Total credit risk	5,417,056	5,417,056	2,572,284	205,783
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk	<u>8,286</u>		8,286	663
(iii) Operational Risk			<u>106,943</u>	<u>8,555</u>
Total risk weighted assets and capital requirement			<u>2,687,513</u>	<u>215,001</u>

* Multi-lateral Development Banks ('MDBs')

Bank 31 December 2011 Exposure Class	<u>Gross exposure</u> RM'000	<u>Net exposure</u> RM'000	<u>Risk- weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(i) Credit Risk				
On-balance sheet exposure:				
Sovereigns & central banks	1,006,024	1,006,024	-	-
Banks, development financial institutions & MDBs*	472,716	472,716	237,970	19,038
Corporate	1,453,336	1,453,336	1,140,380	91,230
Residential mortgages	9,836	9,836	3,688	295
Other assets	27,880	27,880	8,970	718
Total on-balance sheet exposure	2,969,792	2,969,792	1,391,008	111,281
Off-balance sheet exposures:				
Credit-related off-balance sheet exposure	428,668	428,668	278,130	22,250
Total credit risk	3,398,460	3,398,460	1,669,138	133,531
	Net long position RM'000			
(ii) Market Risk				
Foreign currency risk	<u>4,591</u>		4,591	367
(iii) Operational Risk			<u>91,096</u>	<u>7,288</u>
Total risk weighted assets and capital requirement			<u>1,764,825</u>	<u>141,186</u>

* Multi-lateral Development Banks ('MDBs')

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

22 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

<u>Bank</u> <u>30 June 2012</u>	← Exposures after Netting and Credit Risk Mitigation →					<u>Total exposure</u> <u>after netting</u> <u>and credit risk</u> <u>mitigation</u>	<u>Total risk</u> <u>weighted</u> <u>assets</u>
<u>Supervisory</u> <u>Risk weights</u>	<u>Sovereigns</u> <u>and central</u> <u>banks</u> <u>RM'000</u>	<u>Banks,</u> <u>MDBs</u> <u>and FDIs</u> <u>RM'000</u>	<u>Corporate</u> <u>RM'000</u>	<u>Residential</u> <u>mortgages</u> <u>RM'000</u>	<u>Other</u> <u>assets</u> <u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
0%	847,655	-	24,304	107	16,077	888,143	-
20%	-	1,601,564	-	-	3,368	1,604,932	320,987
35%	-	-	-	11,265	-	11,265	3,943
50%	-	354,973	983,219	10,824	-	1,349,016	674,508
100%	-	-	1,528,652	84	16,672	1,545,408	1,545,408
150%	-	-	18,292	-	-	18,292	27,438
Total	847,655	1,956,537	2,554,467	22,280	36,117	5,417,056	2,572,284
 Risk weighted asset By exposure	 -	 497,799	 2,047,700	 9,439	 17,346	 2,572,284	
 Average risk weight	 0.0%	 25.4%	 80.2%	 42.4%	 48.0%	 47.5%	

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

22 Capital Adequacy (Continued)

(d) The breakdown of credit risk exposures by risk weights as follows:

Bank 31 December 2011	← Exposures after Netting and Credit Risk Mitigation →					Total exposure after netting and credit risk mitigation	Total risk weighted assets
<u>Supervisory Risk weights</u>	<u>Sovereigns and central banks</u> RM'000	<u>Banks, MDBs and FDIs</u> RM'000	<u>Corporate</u> RM'000	<u>Residential mortgages</u> RM'000	<u>Other assets</u> RM'000	RM'000	RM'000
0%	1,006,024	-	30,339	137	14,234	1,050,734	-
20%	-	472,716	-	-	5,845	478,561	95,712
35%	-	-	-	8,079	-	8,079	2,828
50%	-	286,854	294,338	3,315	-	584,507	292,254
100%	-	-	1,265,247	-	7,801	1,273,048	1,273,048
150%	-	-	3,531	-	-	3,531	5,297
Total	1,006,024	759,570	1,593,455	11,531	27,880	3,398,460	1,669,138
Risk weighted asset By exposure	-	237,970	1,417,713	4,485	8,970	1,669,138	
Average risk weight	0.0%	31.3%	89.0%	38.9%	32.2%	49.1%	

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

23 Commitments and contingencies

	Group and Bank					
	30 June 2012			31 December 2011		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-	-	-	-
Transaction-related contingent items	726,516	363,258	182,083	593,217	296,608	147,257
Short-term self-liquidation trade related contingencies	5,720	1,144	1,092	2,676	535	524
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	401,009	80,202	79,664	318,085	63,617	63,211
- Maturity exceeding one year	165,760	82,880	79,866	135,816	67,908	67,138
Foreign exchange related contracts:						
- Less than one year	784,605	-	-	5,710	-	-
Others	11,941	-	-	7,841	-	-
Total	<u>2,095,551</u>	<u>527,484</u>	<u>342,705</u>	<u>1,063,345</u>	<u>428,668</u>	<u>278,130</u>

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

24 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 June 2012	31 December 2011
Outstanding credit exposures with connected parties (RM'000)	<u>305,927</u>	<u>240,580</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>13%</u>	<u>14%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008. However, the Bank has obtained exemption from Bank Negara Malaysia's for the above credit transaction exposures with connected parties.

25 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 June 2012.

26 Valuation of Property, Plant and Equipment

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

27 Events subsequent to Balance Sheet Date

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

28 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 2nd quarter ended 30 June 2012.