

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	9	5,093,729	4,463,675	5,090,254	4,461,023
Deposits and placements with banks and other financial institutions	10	2,727,711	1,347,112	2,727,711	1,347,112
Derivative assets	11	3	1,222	3	1,222
Held-to-maturity securities	12	252,398	252,459	252,398	252,459
Loans and advances	13	4,085,938	2,796,973	4,085,938	2,796,973
Other assets	14	162,920	13,926	161,956	13,109
Tax recoverable		5,514	-	5,514	-
Deferred tax assets		4,259	3,580	4,259	3,503
Statutory deposits with Bank Negara		100,600	77,800	100,600	77,800
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		23,307	16,357	20,369	13,647
Intangible assets		70	108	68	106
TOTAL ASSETS		<u>12,456,449</u>	<u>8,973,212</u>	<u>12,450,070</u>	<u>8,967,954</u>
LIABILITIES					
Deposits from customers	15	4,372,705	3,205,471	4,385,427	3,213,514
Deposits and placements of banks and other financial institutions	16	7,267,616	5,073,592	7,267,616	5,073,592
Derivative liabilities	11	16,724	712	16,724	712
Other liabilities	17	222,122	175,624	219,937	173,139
Provision for taxation		14,161	1,434	12,645	961
Deferred tax liabilities		3	-	-	-
TOTAL LIABILITIES		<u>11,893,331</u>	<u>8,456,833</u>	<u>11,902,349</u>	<u>8,461,918</u>
EQUITY					
Share capital		304,000	304,000	304,000	304,000
Reserves		259,118	212,379	243,721	202,036
TOTAL EQUITY		<u>563,118</u>	<u>516,379</u>	<u>547,721</u>	<u>506,036</u>
TOTAL LIABILITIES AND EQUITY		<u>12,456,449</u>	<u>8,973,212</u>	<u>12,450,070</u>	<u>8,967,954</u>
COMMITMENTS AND CONTINGENCIES	24	<u>6,128,687</u>	<u>2,601,513</u>	<u>6,128,687</u>	<u>2,601,513</u>

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE SIX MONTHS ENDED 30 JUNE 2014

Group	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	18	112,196	53,811	217,475	102,914
Interest expense	19	(69,315)	(34,099)	(134,123)	(64,394)
Net interest income		42,881	19,712	83,352	38,520
Other operating income	20	8,635	10,910	23,405	17,097
Other operating expenses	21	(16,008)	(12,935)	(30,642)	(25,922)
Operating profit		35,508	17,687	76,115	29,695
Allowance for impairment on loans and advances	22	(4,227)	-	(8,434)	-
Profit before taxation		31,281	17,687	67,681	29,695
Taxation		(13,020)	(3,564)	(20,942)	(8,262)
Profit for the financial period, representing total comprehensive income for the period		18,261	14,123	46,739	21,433

Bank		2nd Quarter Ended		Six Months Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	18	112,196	53,811	217,475	102,914
Interest expense	19	(69,315)	(34,099)	(134,123)	(64,394)
Net interest income		42,881	19,712	83,352	38,520
Other operating income	20	4,395	8,546	13,622	12,396
Other operating expenses	21	(14,855)	(12,069)	(27,788)	(23,961)
Operating profit		32,421	16,189	69,186	26,955
Allowance for impairment on loans and advances	22	(4,227)	-	(8,434)	-
Profit before taxation		28,194	16,189	60,752	26,955
Taxation		(11,520)	(3,362)	(19,067)	(7,560)
Profit for the financial period, representing total comprehensive income for the period		16,674	12,827	41,685	19,395

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<u>Share Capital</u> RM'000	Non- distributable statutory <u>reserves</u> RM'000	Distributable retained <u>profits</u> RM'000	<u>Total</u> RM'000
Group				
Balance as at 1 January 2014	304,000	119,561	92,818	516,379
Total comprehensive income for the period	-	-	46,739	46,739
At 30 June 2014	304,000	119,561	139,557	563,118
Balance as at 1 January 2013	304,000	93,688	61,831	459,519
Total comprehensive income for the period	-	-	21,433	21,433
At 30 June 2013	304,000	93,688	83,264	480,952
Bank				
Balance as at 1 January 2014	304,000	119,561	82,475	506,036
Total comprehensive income for the period	-	-	41,685	41,685
At 30 June 2014	304,000	119,561	124,160	547,721
Balance as at 1 January 2013	304,000	93,688	56,602	454,290
Total comprehensive income for the period	-	-	19,395	19,395
At 30 June 2013	304,000	93,688	75,997	473,685

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013

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 2014**

	Group		Bank	
	30 June 2014	30 June <u>2013</u>	30 June 2014	30 June <u>2013</u>
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	67,681	29,695	60,752	26,955
<i>Adjustment for:</i>				
Depreciation of property and equipment	979	1,023	869	927
Amortisation of intangible assets	55	54	55	54
Amortisation of premium less accretion of discount	92	148	92	148
Allowance for losses on loans and advances	8,434	-	8,434	-
Interest income from held-to-maturity securities	(3,972)	(1,284)	(3,972)	(1,284)
Unrealised foreign exchange loss/(gain)	22,594	(8,253)	22,594	(8,253)
Net loss on revaluation of derivative	17,231	5,673	17,231	5,673
Operating profit before changes in operating assets and liabilities	113,094	27,056	106,055	24,220
(INCREASE)/DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(1,380,599)	(634,445)	(1,380,599)	(634,445)
Loans and advances	(1,297,399)	90,999	(1,297,399)	90,999
Other assets	(171,588)	13,895	(171,441)	14,274
Statutory deposits with Bank Negara Malaysia	(22,800)	(5,300)	(22,800)	(5,300)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	1,167,234	(8,537)	1,171,913	(6,983)
Deposits and placements of banks and other financial institutions	2,194,024	911,617	2,194,024	911,617
Other liabilities	46,498	(25,540)	46,798	(25,678)
Cash generated from operating activities	648,464	369,745	646,551	368,704
Taxation paid	(14,405)	(10,080)	(13,653)	(9,081)
Net cash generated from operating activities	634,059	359,665	632,898	359,623

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED
30 JUNE 2014**

	Group		Bank	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(7,929)	(1,815)	(7,591)	(1,786)
Purchase of intangible assets	(17)	(3)	(17)	-
Purchases of held-to-maturity securities	(240,000)	(135,224)	(240,000)	(135,224)
Proceeds from maturity of held-to-maturity securities	240,000	60,000	240,000	60,000
Interest received on held-to-maturity securities	3,941	996	3,941	996
Net cash generated from investing activities	(4,005)	(76,046)	(3,667)	(76,014)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	630,054	283,619	629,231	283,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,463,675	1,929,445	4,461,023	1,929,298
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	5,093,729	2,213,064	5,090,254	2,212,907

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the six months ended 30 June 2014 was higher as compared with the corresponding period in 2013 mainly due to higher net interest income and higher other operating income. This was offset by higher other operating expenses and allowance made for impairment on loans and advances. The Bank continued to exercise prudence risk management. At the same time emphasis will be placed on the development of other conventional commercial banking products.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS")134, Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"), and the International Accounting Standards ("IAS") 34, *Interim Financial Reporting issued by the International Accounting Standards Board ("IASB")*.

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 2013. 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 2013.

The following Amendments to MFRS and IC Interpretation have been adopted by the Group and the Bank during the current financial period:

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure on Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 13	Fair Value Measurement
Amendments to MFRS 119	Employee Benefits - Defined Benefit Plans: Employee Contributions

Effective for annual periods commencing on a date to be confirmed

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Bank in the year of initial application except for MFRS 9. The Group and the Bank will assess the impact when the full standard of IFRS 9 or MFRS 9 is ready.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

3 Audit Report

The audit report for the financial period ended 31 December 2013 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 for the 2nd quarter and six months ended 30 June 2014.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the 2nd quarter and six months ended 30 June 2014.

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 2nd quarter and six months ended 30 June 2014.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

9 Cash and short-term funds

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Cash and balances with banks and other financial institutions	192,330	573,565	188,855	570,913
Money at call and deposit placements maturing within 1 month	4,901,399	3,890,110	4,901,399	3,890,110
	<u>5,093,729</u>	<u>4,463,675</u>	<u>5,090,254</u>	<u>4,461,023</u>

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Bank Negara Malaysia	-	-
Other financial institutions	2,727,711	1,347,112
	<u>2,727,711</u>	<u>1,347,112</u>

11 Derivative Assets/(Liabilities)

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Derivative assets	3	1,222
Derivative liabilities	(16,724)	(712)
	<u>(16,721)</u>	<u>510</u>

12 Held-to-maturity securities

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	207,332	207,435
Negotiable instruments of deposits	45,066	45,024
	<u>252,398</u>	<u>252,459</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

13 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Overdrafts	541,105	343,045
Terms loans		
- Housing loans	165,927	89,179
- Syndicated term loans	332,706	338,493
- Other term loans	1,029,763	1,025,562
Bills receivables	989,172	384,888
Trust receipts	19,156	2,322
Claims on customers under acceptance credits	308,000	181,220
Revolving credits	732,055	455,735
Staff loans	2,453	2,494
Total gross loans and advances	<u>4,120,337</u>	<u>2,822,938</u>
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(33,500)	(25,066)
- Individual assessment allowance	(899)	(899)
Total net loans and advances	<u>4,085,938</u>	<u>2,796,973</u>

(ii) By geographical distribution

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Malaysia	3,079,935	2,377,536
Other countries	1,040,402	445,402
	<u>4,120,337</u>	<u>2,822,938</u>

(iii) By interest rate sensitivity

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	38	356,935
Variable rate		
- BLR plus	1,813,544	1,466,242
- Cost plus	2,146,482	542,644
- Other variable rates	160,273	457,117
	<u>4,120,337</u>	<u>2,822,938</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

13 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Purchase of securities	89,595	116,156
Purchase of transport vehicles	38	21
Purchase of landed property :		
- Residential	181,544	103,715
- Non-residential	585,272	552,755
Purchase of fixed assets other than land and building	5,673	6,416
Personal use	191,636	87,151
Construction	112,651	70,669
Working capital	2,918,971	1,833,903
Other purpose	34,957	52,152
	4,120,337	2,822,938

(v) By residual contractual maturity

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Up to one month	998,133	436,719
More than one month to three months	744,938	516,867
More than three months to six months	613,284	52,388
More than six months to twelve months	220,992	37,723
More than twelve months	1,542,990	1,779,241
	4,120,337	2,822,938

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
	2014	2013
	RM'000	RM'000
At beginning of financial period/year	12,341	14,072
Classified as impaired during the period/year	1,716	59
Amount recovered	(835)	(1,790)
Reclassified as non-impaired	(1,707)	-
At end of financial period/year	11,515	12,341
Individual assesment allowance	(899)	(899)
Net impaired loans and advances	10,616	11,442

Ratio of net impaired loans and advances to gross loans and advances less	0.258%	0.405%
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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

13 Loans and advances (continued)

(b) By geographical

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Malaysia	11,515	12,341

(c) By purposes

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Purchase of residential property	137	133
Working capital	11,378	12,208
	11,515	12,341

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

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Collective assessment allowance		
At beginning of the financial period/year	25,066	20,809
Allowance made during the financial period/year	8,434	4,257
Write back during the financial period/year	-	-
At end of the financial period/year	33,500	25,066
Individual assessment allowance		
At beginning of the financial period/year	899	11
Allowance made during the financial period/year	-	888
At end of the financial period/year	899	899

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

14 Other Assets

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other receivables	160,883	11,740	160,498	11,497
Sundry deposits	1,987	1,947	1,458	1,373
Prepayment	50	239	-	239
	162,920	13,926	161,956	13,109

15 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Demand deposits	299,043	333,458	311,765	341,501
Savings deposits	108,801	77,822	108,801	77,822
Fixed deposits	3,864,826	2,794,191	3,864,826	2,794,191
Negotiable instrument of deposits	100,035	-	100,035	-
	4,372,705	3,205,471	4,385,427	3,213,514

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

	Group and Bank	
	30 June	31 December
	2014	2013
	RM'000	RM'000
Due within six months	3,340,855	2,168,754
Six months to one year	621,920	624,936
More than one year	2,086	501
	3,964,861	2,794,191

(iii) By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	10,110	-	10,110	-
Business enterprises	1,168,037	1,078,557	1,168,037	1,078,557
Individuals	1,562,616	1,197,219	1,562,616	1,197,219
Others	1,631,942	929,695	1,644,664	937,738
	4,372,705	3,205,471	4,385,427	3,213,514

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

16 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
Bank Negara Malaysia	983,310	912,552
Licensed banks	6,219,788	4,064,666
Licensed investment banks	64,151	92,700
Licensed islamic banks	367	3,670
Other financial institutions	-	4
	<u>7,267,616</u>	<u>5,073,592</u>

17 Other liabilities

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	16,631	18,872	15,733	17,319
Margin deposits	14,512	10,243	14,512	10,243
Other liabilities	190,979	146,509	189,692	145,577
	<u>222,122</u>	<u>175,624</u>	<u>219,937</u>	<u>173,139</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

18 Interest income	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-impaired loans	47,029	24,304	87,832	49,180
- Interest income on impaired loans	209	266	422	508
Money at call and deposit placement with financial institutions	62,937	28,589	125,341	52,090
Securities				
- Held-to-maturity investments	2,070	736	3,972	1,284
	112,245	53,895	217,567	103,062
Amortisation of premium less accretion of discount	(49)	(84)	(92)	(148)
Total interest income	112,196	53,811	217,475	102,914

19 Interest Expense	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	38,694	18,380	75,897	32,991
Deposits from customers	30,615	15,708	58,209	31,379
Others	6	11	17	24
	69,315	34,099	134,123	64,394

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

**21 Other operating expenses
Group**

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries & wages	5,620	4,698	11,183	9,507
Bonuses	2,936	2,052	5,468	3,978
Defined contribution plan ("EPF")	1,094	901	2,162	1,776
Staff welfare expenses	461	155	719	624
Other personnel costs	760	788	1,309	1,527
	<u>10,871</u>	<u>8,594</u>	<u>20,841</u>	<u>17,412</u>
<u>Marketing expenses</u>				
Entertainment	185	176	465	456
Other marketing	78	123	217	197
	<u>263</u>	<u>299</u>	<u>682</u>	<u>653</u>
<u>Establishment costs</u>				
Rental of premises	1,685	1,100	3,294	2,216
Depreciation	498	512	979	1,023
Amortisation	28	27	55	54
Repairs and maintenance	102	153	146	427
Information technology expenses	216	-	807	-
Other establishment costs	186	713	268	1,474
	<u>2,715</u>	<u>2,505</u>	<u>5,549</u>	<u>5,194</u>
<u>Administration and general expenses</u>				
Insurance premium	356	213	390	271
Auditors' remuneration - statutory audit fees	57	80	97	80
- other fees	21	30	41	30
Travelling and accommodation	416	201	688	496
Telecommunication and utilities	227	178	463	362
Printing, stationery and postage	184	101	311	290
Legal and professional fees	86	115	147	155
Other administration and general expenses	184	619	805	979
	<u>1,531</u>	<u>1,537</u>	<u>2,942</u>	<u>2,663</u>
<u>Other expenses</u>				
Other	628	-	628	-
	<u>628</u>	<u>-</u>	<u>628</u>	<u>-</u>
	<u>16,008</u>	<u>12,935</u>	<u>30,642</u>	<u>25,922</u>

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21 Other operating expenses (continued)
Bank

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries & wages	5,390	4,314	10,328	8,627
Bonuses	2,812	2,008	5,196	3,831
Defined contribution plan ("EPF")	1,060	863	2,037	1,686
Staff welfare expenses	402	124	620	555
Other personnel costs	737	741	1,264	1,434
	10,401	8,050	19,445	16,133
<u>Marketing expenses</u>				
Entertainment	182	174	460	426
Other marketing	77	123	214	190
	259	297	674	616
<u>Establishment costs</u>				
Rental of premises	1,236	911	2,351	1,842
Depreciation	438	463	869	927
Amortisation	28	27	55	54
Repairs and maintenance	62	152	104	423
Information technology expenses	215	-	806	-
Other establishment costs	182	690	241	1,430
	2,161	2,243	4,426	4,676
<u>Administration and general expenses</u>				
Insurance premium	357	213	385	268
Auditors' remuneration - statutory audit fees	36	62	67	62
- other fees	18	30	36	30
Travelling and accommodation	406	190	648	469
Telecommunication and utilities	209	169	417	338
Printing, stationery and postage	150	96	243	269
Legal and professional fees	91	111	127	150
Other administration and general expenses	139	608	692	950
	1,406	1,479	2,615	2,536
<u>Other expenses</u>				
Other	628	-	628	-
	628	-	628	-
	14,855	12,069	27,788	23,961

22 Allowance for impairment on loans and advances

	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Collective assessment allowance				
- Made during the financial period	4,227	-	8,434	-
	4,227	-	8,434	-

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23 Capital adequacy

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

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up ordinary share capital	304,000	304,000	304,000	304,000
Retained profits	92,818	92,818	82,475	82,475
Other reserves	119,561	119,561	119,561	119,561
	516,379	516,379	506,036	506,036
Less: Deferred tax assets	(4,259)	(3,580)	(4,259)	(3,503)
Total CET1 capital / Total Tier 1 capital	512,120	512,799	501,777	502,533
<u>Tier-2 capital</u>				
Collective assessment allowance	33,500	25,066	33,500	25,066
Total Tier-2 capital	33,500	25,066	33,500	25,066
Less: Investment in subsidiary	-	-	(1,000)	(1,000)
Total capital base	545,620	537,865	534,277	526,599
<u>Capital ratios</u>				
CET 1 capital ratio	10.037%	13.597%	9.890%	13.415%
Tier 1 capital ratio	10.037%	13.597%	9.890%	13.415%
Total capital ratio	10.694%	14.262%	10.530%	14.058%

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

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	4,848,393	3,560,008	4,843,795	3,555,948
Market risk	15,238	17,576	15,238	17,576
Operational risk	238,659	193,733	214,741	172,464
Total risk-weighted assets	5,102,290	3,771,317	5,073,774	3,745,988

With effect from 1 January 2013, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The risk-weighted assets of the Group and the Bank has adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. In line with the transitional arrangements under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for year 2014 for CET 1 capital ratio and Tier 1 capital ratio are 4.0% (2013 : 3.5%) and 5.5% (2013: 4.5%) respectively. The minimum regulatory capital adequacy requirement remain at 8.0% (2013 : 8.0%) for total capital ratio.

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24 Commitments and contingencies

	Group and Bank					
	30 June 2014			31 December 2013		
	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	67,874	67,874	52,844	71,170	71,170	55,410
Transaction-related contingent items	1,167,619	583,810	232,196	1,107,380	553,690	212,149
Short-term self-liquidation trade related contingencies	11,840	2,368	2,368	4,289	858	858
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,584,996	316,999	299,128	926,666	185,333	172,243
- Maturity exceeding one year	429,907	214,954	171,156	147,312	73,656	65,970
Foreign exchange related contracts:						
- Less than one year	2,684,946	16,445	3,289	327,624	2,179	436
Others	181,505	-	-	17,072	-	-
Total	<u>6,128,687</u>	<u>1,202,450</u>	<u>760,981</u>	<u>2,601,513</u>	<u>886,886</u>	<u>507,066</u>

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25 Credit Exposures Arising From Credit Transactions With

	Group and Bank	
	30 June	31 December
	<u>2014</u>	<u>2013</u>
Outstanding credit exposures with connected parties (RM'000)	<u>657,263</u>	<u>526,124</u>
Percentage of outstanding credit exposures to connected parties as total credit exposures	<u>12%</u>	<u>13%</u>
Percentage of outstanding credit exposures with connected parties 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.

26 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 June 2014.

27 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.

28 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.

29 Changes in the composition of the Group

There were no significant changes in the composition of the Group for the 2nd quarter and six months ended 30 June 2014.