

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Group		Bank	
		30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
ASSETS					
Cash and short-term funds	9	2,135,034	3,609,580	2,133,115	3,605,813
Deposits and placements with banks and other financial institutions	10	1,461,761	456,101	1,461,761	456,101
Derivative assets	11	108	1,790	108	1,790
Held-to-maturity securities	12	611,692	529,158	611,692	529,158
Loans and advances	13	4,958,727	5,052,027	4,958,727	5,052,027
Other assets	14	14,599	15,244	13,906	14,471
Tax recoverable		10,481	8,296	10,481	8,296
Deferred tax assets		4,133	3,627	4,133	3,627
Statutory deposits with Bank Negara Malaysia		128,000	77,200	128,000	77,200
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		41,246	23,088	38,651	20,109
Intangible assets		218	265	217	263
TOTAL ASSETS		9,365,999	9,776,376	9,361,791	9,769,855
LIABILITIES					
Deposits from customers	15	5,406,483	4,718,644	5,410,660	4,727,376
Deposits and placements of banks and other financial institutions	16	2,789,141	3,909,004	2,789,141	3,909,004
Derivative liabilities	11	842	1,806	842	1,806
Other liabilities	17	55,112	67,165	52,626	65,028
Provision for taxation		693	527	-	-
Deferred tax liabilities		34	30	-	-
TOTAL LIABILITIES		8,252,305	8,697,176	8,253,269	8,703,214
EQUITY					
Share capital		760,518	760,518	760,518	760,518
Reserves		353,176	318,682	348,004	306,123
TOTAL EQUITY		1,113,694	1,079,200	1,108,522	1,066,641
TOTAL LIABILITIES AND EQUITY		9,365,999	9,776,376	9,361,791	9,769,855
COMMITMENTS AND CONTINGENCIES	24	4,036,254	4,137,054	4,036,254	4,137,054

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 2014

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 2015

Group		2nd Quarter Ended		Six Months Ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	18	87,425	112,196	186,285	217,475
Interest expense	19	(50,209)	(69,315)	(107,850)	(134,123)
Net interest income		37,216	42,881	78,435	83,352
Other operating income	20	14,461	8,635	25,211	23,405
Other operating expenses	21	(21,529)	(16,008)	(44,491)	(30,642)
Operating profit		30,148	35,508	59,155	76,115
Allowance for impairment on loans and advances	22	(5,085)	(4,227)	(5,088)	(8,434)
Profit before taxation		25,063	31,281	54,067	67,681
Taxation		(13,442)	(13,020)	(19,573)	(20,942)
Total comprehensive income for the period		11,621	18,261	34,494	46,739

Bank		2nd Quarter Ended		Six Months Ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
Interest income	18	87,425	112,196	186,285	217,475
Interest expense	19	(50,209)	(69,315)	(107,850)	(134,123)
Net interest income		37,216	42,881	78,435	83,352
Other operating income	20	21,955	4,395	28,121	13,622
Other operating expenses	21	(20,215)	(14,855)	(41,834)	(27,788)
Operating profit		38,956	32,421	64,722	69,186
Allowance for impairment on loans and advances	22	(5,085)	(4,227)	(5,088)	(8,434)
Profit before taxation		33,871	28,194	59,634	60,752
Taxation		(12,447)	(11,520)	(17,753)	(19,067)
Total comprehensive income for the period		21,424	16,674	41,881	41,685

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 2014

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital RM'000	← Non-distributable →		Distributable retained profits RM'000	Total RM'000
		Statutory reserves RM'000	Regulatory reserves RM'000		
Group					
Balance as at 1 January 2015	760,518	171,605	-	147,077	1,079,200
Total comprehensive income for the period	-	-	-	34,494	34,494
Transfer to regulatory reserve	-	-	18,049	(18,049)	-
At 30 June 2015	760,518	171,605	18,049	163,522	1,113,694
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
Bank					
Balance as at 1 January 2015	760,518	171,605	-	134,518	1,066,641
Total comprehensive income for the period	-	-	-	41,881	41,881
Transfer to regulatory reserve	-	-	18,049	(18,049)	-
At 30 June 2015	760,518	171,605	18,049	158,350	1,108,522
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

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 2014

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED
30 JUNE 2015**

	Group		Bank	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	54,067	67,681	59,634	60,752
<i>Adjustment for:</i>				
Depreciation of property and equipment	1,660	979	1,313	869
Amortisation of intangible assets	46	55	46	55
Amortisation of premium less accretion of discount	200	92	200	92
Allowance for losses on loans and advances	5,088	8,434	5,088	8,434
Interest income from held-to-maturity securities	(9,356)	(3,972)	(9,356)	(3,972)
Unrealised foreign exchange (gain)/loss	(959)	22,594	(959)	22,594
Net loss on revaluation of derivative	718	17,231	718	17,231
Property and equipment written off	138	-	138	-
Operating profit before changes in operating	51,602	113,094	56,822	106,055
(INCREASE)/DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(1,005,660)	(1,380,599)	(1,005,660)	(1,380,599)
Loans and advances	88,212	(1,297,399)	88,212	(1,297,399)
Other assets	1,604	(171,588)	1,524	(171,441)
Statutory deposits with Bank Negara Malaysia	(50,800)	(22,800)	(50,800)	(22,800)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	687,839	1,167,234	683,284	1,171,913
Deposits and placements of banks and other financial institutions	(1,119,863)	2,194,024	(1,119,863)	2,194,024
Other liabilities	(12,053)	46,498	(12,402)	46,798
Cash generated from operating activities	(1,359,119)	648,464	(1,358,883)	646,551
Taxation paid	(22,094)	(14,405)	(20,444)	(13,653)
Net cash generated from operating activities	(1,381,213)	634,059	(1,379,327)	632,898

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INTERIM FINANCIAL STATEMENTS

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED
30 JUNE 2015**

	Group		Bank	
	30 June	30 June	30 June	30 June
	2015	<u>2014</u>	2015	<u>2014</u>
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(19,955)	(7,929)	(19,993)	(7,591)
Purchases of held-to-maturity securities	(412,735)	(240,000)	(412,735)	(240,000)
Proceeds from maturity of held-to-maturity securities	331,020	240,000	331,020	240,000
Interest received on held-to-maturity securities	8,337	3,941	8,337	3,941
Net cash generated from investing activities	(93,333)	(4,005)	(93,371)	(3,667)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	(1,474,546)	630,054	(1,472,698)	629,231
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,609,580	4,463,675	3,605,813	4,461,023
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,135,034	5,093,729	2,133,115	5,090,254
9	2,135,034	5,093,729	2,133,115	5,090,254

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation of RM60.1 million for the six months ended 30 June 2015 was slightly lower as compared with the corresponding period in 2014 mainly due to lower net interest income, higher overhead expenses and lower allowance on impairment on loans and advances. The Bank will continue to strengthen risk management system infrastructure and to ensure conformity with regulatory requirements. Emphasis will be placed on the development of commercial banking products and focus will be on Renminbi earning related business.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014.

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 2014.

Since the previous annual audited financial statements as at 31 December 2014 were issued, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2016. 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.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2016:

- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- MFRS 7 Financial Instruments: Disclosures
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- MFRS 119 Employee Benefits
- MFRS 134 Interim Financial Reporting

2 Group Accounting Policies (Continued)

MFRS 9 Financial Instrument

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 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.

3 Audit Report

The audit report for the financial period ended 31 December 2014 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 six months ended 30 June 2015.

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 2015.

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 six months ended 30 June 2015.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

9 Cash and short-term funds

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	191,705	531,409	189,786	527,642
Money at call and deposit placements maturing within 1 month	1,943,329	3,078,171	1,943,329	3,078,171
	<u>2,135,034</u>	<u>3,609,580</u>	<u>2,133,115</u>	<u>3,605,813</u>

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Licensed banks	<u>1,461,761</u>	<u>456,101</u>

11 Derivative Assets/(Liabilities)

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Derivative assets	108	1,790
Derivative liabilities	(842)	(1,806)
	<u>(734)</u>	<u>(16)</u>

12 Held-to-maturity securities

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	595,664	448,861
Negotiable instruments of deposits	16,028	80,297
	<u>611,692</u>	<u>529,158</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

13 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
Overdrafts	732,445	674,923
Terms loans		
- Housing loans	245,611	217,470
- Syndicated term loans	318,841	205,812
- Other term loans	1,570,393	1,333,955
Bills receivables	709,046	1,343,630
Trust receipts	31,282	35,671
Claims on customers under acceptance credits	346,407	332,037
Revolving credits	1,036,057	934,224
Credit card receivables	10	-
Staff loans	2,171	2,166
Gross loans and advances	<u>4,992,263</u>	<u>5,079,888</u>
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(1,174)	(899)
- Collective assessment allowance	(32,362)	(26,962)
Total net loans and advances	<u>4,958,727</u>	<u>5,052,027</u>

(ii) By geographical distribution

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
Malaysia	3,945,789	3,632,623
Other countries	1,046,474	1,447,265
Gross loans and advances	<u>4,992,263</u>	<u>5,079,888</u>

(iii) By interest rate sensitivity

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	867,628	1,624,992
Variable rate		
- Base Rate/Base Lending Rate plus	2,487,653	2,295,211
- Cost plus	1,495,076	1,089,403
- Other variable rates	141,906	70,282
Gross loans and advances	<u>4,992,263</u>	<u>5,079,888</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

13 Loans and advances (continued)

(iv) By purpose

	Group and Bank	
	30 June	31 December
	2015	<u>2014</u>
	RM'000	RM'000
Purchase of securities	35,381	17
Purchase of transport vehicles	22	27
Purchase of landed property :	1,165,578	1,055,884
- Residential	258,932	231,007
- Non-residential	906,646	824,877
Purchase of fixed assets other than land and building	7,383	4,912
Personal use	276,000	246,744
Credit card	10	-
Construction	152,534	128,636
Working capital	3,326,735	3,621,737
Other purpose	28,620	21,931
Gross loans and advances	4,992,263	5,079,888

(v) By residual contractual maturity

	Group and Bank	
	30 June	31 December
	2015	<u>2014</u>
	RM'000	RM'000
Up to one month	1,666,328	1,502,597
More than one month to three Months	577,908	941,948
More than three months to six months	706,512	705,637
More than six months to twelve months	73,419	208,295
More than twelve months	1,968,096	1,721,411
Gross loans and advances	4,992,263	5,079,888

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
	2015	<u>2014</u>
	RM'000	RM'000
At beginning of financial period/year	16,965	12,341
Classified as impaired during the period/year	4,634	8,058
Reclassified as performing during the period/year	-	(1,691)
Amount recovered	(1,409)	(1,743)
At end of financial period/year	20,190	16,965
Individual assesment allowance	(1,174)	(899)
Net impaired loans and advances	19,016	16,066

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

0.381% **0.316%**

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

13 Loans and advances (continued)

(vi) Impaired loans and advances (continued)

(b) By geographical

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
Malaysia	20,190	16,965

(c) By purposes

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
Purchase of landed property - residential	3,577	3,016
Purchase of landed property - non-residential	13,126	13,949
Working capital	3,487	-
	20,190	16,965

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

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
<u>Individual assessment allowance</u>		
At beginning of the financial period/year	899	899
Allowance made during the financial period/year	512	-
Allowance written back during the financial period/year	(237)	-
At end of the financial period/year	1,174	899
<u>Collective assessment allowance</u>		
At beginning of the financial period/year	26,962	25,066
Allowance made during the financial period/year	25,601	1,156
Allowance written back during the financial period/year	(20,788)	-
Exchange differences	587	740
At end of the financial period/year	32,362	26,962

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

14 Other Assets

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Other receivables	10,867	12,699	10,668	12,305
Sundry deposits	2,137	2,025	1,743	1,646
Prepayment	1,595	520	1,495	520
	14,599	15,244	13,906	14,471

15 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Demand deposits	516,908	452,809	521,085	461,541
Savings deposits	111,757	101,377	111,757	101,377
Fixed deposits	4,576,997	3,964,159	4,576,997	3,964,159
Negotiable instruments of deposits	200,821	200,299	200,821	200,299
	5,406,483	4,718,644	5,410,660	4,727,376

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

	Group and Bank	
	30 June 2015	31 December 2014
	RM'000	RM'000
Due within six months	3,414,767	3,325,941
Six months to one year	1,357,813	788,278
More than one year	5,238	50,239
	4,777,818	4,164,458

(iii) By type of customer

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	4,034	10,299	4,034	10,299
Business enterprises	1,112,832	1,169,050	1,117,009	1,177,782
Individuals	1,675,635	1,607,864	1,675,635	1,607,864
Others	2,613,982	1,931,431	2,613,982	1,931,431
	5,406,483	4,718,644	5,410,660	4,727,376

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2015**

16 Deposits and placements of banks and other financial institutions

	<u>Group and Bank</u>	
	<u>30 June</u> <u>2015</u> RM'000	31 December <u>2014</u> RM'000
Bank Negara Malaysia	13,367	66,895
Licensed banks	2,774,967	3,840,611
Licensed investment banks	322	1,329
Licensed islamic banks	480	169
Other financial institutions	5	-
	<u>2,789,141</u>	<u>3,909,004</u>

17 Other liabilities

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u> <u>2015</u> RM'000	31 December <u>2014</u> RM'000	<u>30 June</u> <u>2015</u> RM'000	31 December <u>2014</u> RM'000
Accrued expenses	15,188	20,318	14,632	19,655
Margin deposits	11,387	8,258	11,387	8,258
Other liabilities	28,537	38,589	26,607	37,115
	<u>55,112</u>	<u>67,165</u>	<u>52,626</u>	<u>65,028</u>

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

18 Interest income	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income on non-impaired loans	61,924	47,029	122,310	87,832
- Interest income on impaired loans	335	209	704	422
Money at call and deposit placement with financial institutions	20,040	62,937	54,115	125,341
Securities				
- Held-to-maturity investments	5,246	2,070	9,356	3,972
	87,545	112,245	186,485	217,567
Amortisation of premium less accretion of discount	(120)	(49)	(200)	(92)
Total interest income	87,425	112,196	186,285	217,475

19 Interest Expense	2nd Quarter Ended		Six Months Ended	
	Group and Bank		Group and Bank	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	13,098	38,694	35,344	75,897
Deposits from customers	37,096	30,615	72,481	58,209
Others	15	6	25	17
	50,209	69,315	107,850	134,123

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

21 Other operating expenses
Group

	2nd Quarter Ended		Six Months Ended	
	30 June <u>2015</u> RM'000	30 June <u>2014</u> RM'000	30 June <u>2015</u> RM'000	30 June <u>2014</u> RM'000
<u>Personnel expenses</u>				
Salaries & wages	7,837	5,620	15,765	11,183
Bonuses	2,956	2,936	7,253	5,468
Defined contribution plan ("EPF")	1,354	1,094	2,764	2,162
Staff welfare expenses	460	461	835	719
Other personnel costs	1,470	760	1,962	1,309
	<u>14,077</u>	<u>10,871</u>	<u>28,579</u>	<u>20,841</u>
<u>Marketing expenses</u>				
Entertainment	312	185	848	465
Other marketing	570	78	885	217
	<u>882</u>	<u>263</u>	<u>1,733</u>	<u>682</u>
<u>Establishment costs</u>				
Rental of premises	1,596	1,685	3,281	3,294
Depreciation	941	498	1,660	979
Amortisation	23	28	46	55
Repairs and maintenance	71	102	205	146
Property and equipment written off	-	-	138	-
Information technology expenses	343	216	899	807
Other establishment costs	58	186	112	268
	<u>3,032</u>	<u>2,715</u>	<u>6,341</u>	<u>5,549</u>
<u>Administration and general expenses</u>				
Insurance premium	540	356	576	390
Auditors' remuneration				
- statutory audit fees	45	57	100	97
- regulatory related service	24	21	44	41
Travelling and accommodation	583	416	949	688
Telecommunication and utilities	217	227	452	463
Printing, stationery and postage	128	184	276	311
Legal and professional fees	119	86	1,110	147
Other administration and general expenses	1,152	184	1,948	805
	<u>2,808</u>	<u>1,531</u>	<u>5,455</u>	<u>2,942</u>
<u>Other expenses</u>				
Cost of precious metal	730	628	2,383	628
	<u>730</u>	<u>628</u>	<u>2,383</u>	<u>628</u>
	<u>21,529</u>	<u>16,008</u>	<u>44,491</u>	<u>30,642</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
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries & wages	7,382	5,390	14,877	10,328
Bonuses	2,818	2,812	6,982	5,196
Defined contribution plan ("EPF")	1,283	1,060	2,629	2,037
Staff welfare expenses	426	402	743	620
Other personnel costs	1,446	737	1,918	1,264
	13,355	10,401	27,149	19,445
<u>Marketing expenses</u>				
Entertainment	312	182	848	460
Other marketing	570	77	885	214
	882	259	1,733	674
<u>Establishment costs</u>				
Rental of premises	1,257	1,236	2,597	2,351
Depreciation	768	438	1,313	869
Amortisation	22	28	46	55
Repairs and maintenance	72	62	205	104
Property and equipment written off	-	-	138	-
Information technology expenses	344	215	898	806
Other establishment costs	57	182	108	241
	2,520	2,161	5,305	4,426
<u>Administration and general expenses</u>				
Insurance premium	540	357	571	385
Auditors' remuneration				
- statutory audit fees	45	36	91	67
- regulatory related service	24	18	42	36
Travelling and accommodation	582	406	946	648
Telecommunication and utilities	200	209	416	417
Printing, stationery and postage	100	150	226	243
Legal and professional fees	118	91	1,108	127
Other administration and general expenses	1,119	139	1,864	692
	2,728	1,406	5,264	2,615
<u>Other expenses</u>				
Cost of precious metal	730	628	2,383	628
	730	628	2,383	628
	20,215	14,855	41,834	27,788

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and advances				
<u>Individual impairment allowance</u>				
- Made during the financial period	512	-	512	-
- Written back during the financial period	-	-	(237)	-
	512	-	275	-
<u>Collective impairment allowance</u>				
- Made during the financial period	25,361	4,227	25,601	8,434
- Written back during the financial period	(20,788)	-	(20,788)	-
	4,573	4,227	4,813	8,434
	5,085	4,227	5,088	8,434

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

23 Capital adequacy

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

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	129,028	147,077	116,469	134,518
Other reserves	171,605	171,605	171,605	171,605
Regulatory reserves	18,049	-	18,049	-
	1,079,200	1,079,200	1,066,641	1,066,641
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(4,133)	(3,627)	(4,133)	(3,627)
- Regulatory reserve attributable to loans and advances	(18,049)	-	(18,049)	-
	(22,182)	(3,627)	(22,182)	(3,627)
Total CET1 capital / Total Tier 1 capital	1,057,018	1,075,573	1,044,459	1,063,014
<u>Tier-2 capital</u>				
Collective assessment allowance	32,362	26,962	32,362	26,962
Regulatory reserves	18,049	-	18,049	-
Total Tier-2 capital	50,411	26,962	50,411	26,962
Less: Investment in subsidiary	-	-	(1,000)	(1,000)
Total capital base	1,107,429	1,102,535	1,093,870	1,088,976
<u>Capital ratios</u>				
CET 1 capital ratio	18.934%	21.684%	18.797%	21.570%
Tier 1 capital ratio	18.934%	21.684%	18.797%	21.570%
Total capital ratio	19.837%	22.228%	19.686%	22.097%

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

23 Capital adequacy (continued)

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

	Group		Bank	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	5,252,575	4,662,667	5,248,921	4,658,214
Market risk	9,720	9,599	9,720	9,599
Operational risk	320,283	287,921	297,959	260,424
Total risk-weighted assets	5,582,578	4,960,187	5,556,600	4,928,237

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 6 April 2015, Bank Negara Malaysia issued Policy Document on Classification and Impairment Provisions for Loans/Financing. Pursuant to paragraph 15.2 of the Policy Document, effective 31 December 2015 banking institution is required to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment.

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

During the financial period, the Bank has transferred RM18,049 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1% of total outstanding loans and advances. The Bank will gradually increase the ratio to 1.2% by 31 December 2015. The regulatory reserve does not qualify as Common Equity Tier 1 (CET1) Capital and Tier 1 Capital under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components). The adoption of this requirement of 1% has resulted in a decrease of 0.325% respectively in CET1 and Tier 1 capital ratio of the Bank and the Group.

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24 Commitments and contingencies

	Group and Bank					
	30 June 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	79,845	79,845	62,145	73,805	73,805	57,461
Transaction-related contingent items	1,455,088	727,544	325,322	1,234,096	617,048	271,515
Short-term self-liquidation trade related contingencies	30,833	6,167	6,166	22,360	4,472	4,461
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	1,092,299	218,460	200,366	1,187,031	237,406	221,426
- Maturity exceeding one year	220,516	110,258	64,908	350,416	175,208	123,227
Foreign exchange related contracts:						
- Less than one year	1,157,673	16,180	3,236	1,269,346	12,059	2,412
Total	4,036,254	1,158,454	662,143	4,137,054	1,119,998	680,502

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25 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 June 2015	31 December 2014
Outstanding credit exposures with connected parties (RM'000)	1,071,001	654,680
Percentage of outstanding credit exposures to connected parties total credit exposures	18%	11%
Percentage of outstanding credit exposures with connected non-performing or in default	0%	0%

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 2015.

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 Reporting Date

There were no material events subsequent to the reporting 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 ended 30 June 2015.