

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	3,657,294	3,138,153	3,654,661	3,133,474
Deposits and placements with banks and other financial institutions	10	552,205	435,854	552,205	435,854
Derivative assets	11	1,661	334	1,661	334
Financial investments available-for-sale	12	405,520	-	405,520	-
Financial investments held-to-maturity	13	1,540,515	288,048	1,540,515	288,048
Loans and advances	14	5,017,784	5,183,247	5,017,784	5,183,247
Other assets	15	5,175	12,491	4,510	11,682
Deferred tax assets		5,281	4,738	5,062	4,553
Statutory deposits with Bank Negara Malaysia		101,100	98,900	101,100	98,900
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		56,990	52,363	55,615	50,699
Intangible assets		325	300	325	300
<b>TOTAL ASSETS</b>		<b>11,343,850</b>	<b>9,214,428</b>	<b>11,339,958</b>	<b>9,208,091</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	16	8,989,989	6,349,234	8,995,672	6,357,750
Deposits and placements of banks and other financial institutions	17	791,773	1,354,460	791,773	1,354,460
Derivative liabilities	11	2,168	293	2,168	293
Other liabilities	18	209,623	212,652	206,906	210,130
Provision for taxation		2,290	3,081	1,255	2,455
<b>TOTAL LIABILITIES</b>		<b>9,995,843</b>	<b>7,919,720</b>	<b>9,997,774</b>	<b>7,925,088</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		587,489	534,190	581,666	522,485
<b>TOTAL EQUITY</b>		<b>1,348,007</b>	<b>1,294,708</b>	<b>1,342,184</b>	<b>1,283,003</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,343,850</b>	<b>9,214,428</b>	<b>11,339,958</b>	<b>9,208,091</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	25	<b>4,341,838</b>	<b>3,518,241</b>	<b>4,341,838</b>	<b>3,518,241</b>

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	19	104,653	91,671	199,442	181,689
Interest expense	20	(54,441)	(48,652)	(100,581)	(98,636)
Net interest income		50,212	43,019	98,861	83,053
Other operating income	21	18,496	19,973	44,324	50,017
Other operating expenses	22	(26,981)	(27,581)	(52,777)	(51,393)
Operating profit		41,727	35,411	90,408	81,677
Allowance made for impairment on loans and advances	23	(17,305)	(562)	(18,592)	(4,599)
Profit before taxation		24,422	34,849	71,816	77,078
Taxation		(6,699)	(6,492)	(18,209)	(23,617)
<b>Profit for the financial period</b>		<b>17,723</b>	<b>28,357</b>	<b>53,607</b>	<b>53,461</b>
<b>Other comprehensive expense</b>					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
- Net loss on revaluation of financial investments, net of tax		(308)	-	(308)	-
Other comprehensive expense, net of tax		(308)	-	(308)	-
Total comprehensive income for the period		<b>17,415</b>	<b>28,357</b>	<b>53,299</b>	<b>53,461</b>

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
		RM'000	RM'000	RM'000	RM'000
<b>Bank</b>					
Interest income	19	<b>104,653</b>	91,671	<b>199,442</b>	181,689
Interest expense	20	<b>(54,441)</b>	(48,652)	<b>(100,581)</b>	(98,636)
Net interest income		<b>50,212</b>	43,019	<b>98,861</b>	83,053
Other operating income	21	<b>24,775</b>	26,741	<b>45,196</b>	51,824
Other operating expenses	22	<b>(25,460)</b>	(26,027)	<b>(49,643)</b>	(48,463)
Operating profit		<b>49,527</b>	43,733	<b>94,414</b>	86,414
Allowance made for impairment on loans and advances	23	<b>(17,305)</b>	(562)	<b>(18,592)</b>	(4,599)
Profit before taxation		<b>32,222</b>	43,171	<b>75,822</b>	81,815
Taxation		<b>(5,573)</b>	(5,610)	<b>(16,333)</b>	(21,910)
<b>Profit for the financial period</b>		<b>26,649</b>	37,561	<b>59,489</b>	59,905
<b>Other comprehensive expense</b>					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
- Net loss on revaluation of financial investments available-for-sale		<b>(308)</b>	-	<b>(308)</b>	-
Other comprehensive expense, net of tax		<b>(308)</b>	-	<b>(308)</b>	-
Total comprehensive income for the period		<b>26,341</b>	37,561	<b>59,181</b>	59,905

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	←	Non-distributable		→	Distributable	
	Share capital	Statutory reserves	Revaluation reserves	Regulatory reserves	retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Balance as at 1 January 2017	<b>760,518</b>	<b>279,786</b>	-	<b>26,948</b>	<b>227,456</b>	<b>1,294,708</b>
Profit for the financial period	-	-	-	-	<b>53,607</b>	<b>53,607</b>
Other comprehensive expense, net of tax	-	-	<b>(308)</b>	-	-	<b>(308)</b>
Total comprehensive (expense)/income for the financial period	-	-	<b>(308)</b>	-	<b>53,607</b>	<b>53,299</b>
Transfer to regulatory reserve	-	-	-	<b>(13,457)</b>	<b>13,457</b>	-
<b>At 30 June 2017</b>	<b>760,518</b>	<b>279,786</b>	<b>(308)</b>	<b>13,491</b>	<b>294,520</b>	<b>1,348,007</b>
Balance as at 1 January 2016	760,518	223,231	-	22,671	175,396	1,181,816
Total comprehensive income for the period	-	-	-	-	53,461	53,461
Transfer to regulatory reserve	-	-	-	2,976	(2,976)	-
At 30 June 2016	760,518	223,231	-	25,647	225,881	1,235,277

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	←	Non-distributable		→	Distributable	
	Share capital	Statutory reserves	Revaluation reserves	Regulatory reserves	retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>						
Balance as at 1 January 2017	<b>760,518</b>	<b>279,786</b>	-	<b>26,948</b>	<b>215,751</b>	<b>1,283,003</b>
Profit for the financial period	-	-	-	-	<b>59,489</b>	<b>59,489</b>
Other comprehensive expense, net of tax	-	-	<b>(308)</b>	-	-	<b>(308)</b>
Total comprehensive (expense)/income for the financial period	-	-	<b>(308)</b>	-	<b>59,489</b>	<b>59,181</b>
Transfer to regulatory reserve	-	-	-	<b>(13,457)</b>	<b>13,457</b>	-
<b>At 30 June 2017</b>	<b><u>760,518</u></b>	<b><u>279,786</u></b>	<b><u>(308)</u></b>	<b><u>13,491</u></b>	<b><u>288,697</u></b>	<b><u>1,342,184</u></b>
Balance as at 1 January 2016	760,518	223,231	-	22,671	163,473	1,169,893
Total comprehensive income for the period	-	-	-	-	59,905	59,905
Transfer to regulatory reserve	-	-	-	2,976	(2,976)	-
At 30 June 2016	<b><u>760,518</u></b>	<b><u>223,231</u></b>	<b><u>-</u></b>	<b><u>25,647</u></b>	<b><u>220,402</u></b>	<b><u>1,229,798</u></b>

*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 2016*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Group		Bank	
	30 June <u>2017</u>	30 June <u>2016</u>	30 June <u>2017</u>	30 June <u>2016</u>
Note	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>71,816</b>	77,078	<b>75,822</b>	81,815
<i>Adjustment for:</i>				
Depreciation of property and equipment	<b>1,789</b>	2,311	<b>1,503</b>	1,968
Amortisation of intangible assets	<b>91</b>	46	<b>91</b>	46
Accretion of discount/ (amortisation of premium), net	<b>155</b>	(34)	<b>155</b>	(34)
Allowance for losses on loans and advances	<b>18,592</b>	4,599	<b>18,592</b>	4,599
Interest income from financial investments held-to-maturity	<b>(8,300)</b>	(6,872)	<b>(8,300)</b>	(6,872)
Interest income from financial investments available-for-sale	<b>(423)</b>	-	<b>(423)</b>	-
Unrealised foreign exchange loss/(gain)	<b>2,063</b>	(56)	<b>2,063</b>	(56)
Net loss on revaluation of derivative	<b>548</b>	5,225	<b>548</b>	5,225
Net gain on disposal of property and equipment	-	(1)	-	-
Property and equipment written off	<b>405</b>	-	<b>405</b>	-
Dividend income	-	-	<b>(11,650)</b>	(11,900)
Operating profit before changes in operating activities	<b>86,736</b>	82,296	<b>78,806</b>	74,791
<b>DECREASE/(INCREASE) IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	<b>(116,351)</b>	257,641	<b>(116,351)</b>	257,641
Loans and advances	<b>146,871</b>	(141,146)	<b>146,871</b>	(141,146)
Other assets	<b>5,253</b>	(47)	<b>5,110</b>	(130)
Statutory deposits with Bank Negara Malaysia	<b>(2,200)</b>	24,200	<b>(2,200)</b>	24,200
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	<b>2,640,755</b>	132,512	<b>2,637,922</b>	126,158
Deposits and placements of banks and other financial institutions	<b>(562,687)</b>	376,655	<b>(562,687)</b>	376,655
Other liabilities	<b>(3,029)</b>	(3,588)	<b>(3,224)</b>	(3,075)
Cash generated from operating activities	<b>2,195,348</b>	728,523	<b>2,184,247</b>	715,094
Taxation paid	<b>(19,500)</b>	(14,718)	<b>(18,000)</b>	(13,068)
Net cash generated from operating activities	<b>2,175,848</b>	713,805	<b>2,166,247</b>	702,026

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Note	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING</b>				
Purchase of property and equipment	<b>(6,824)</b>	(1,009)	<b>(6,824)</b>	(1,000)
Proceeds from disposal of property and equipment	<b>3</b>	1	-	-
Purchase of intangible assets	<b>(116)</b>	-	<b>(116)</b>	-
Purchases of financial investments available-for-sale	<b>(405,484)</b>	-	<b>(405,484)</b>	-
Purchases of financial investments held-to-maturity securities	<b>(1,350,000)</b>	(110,000)	<b>(1,350,000)</b>	(110,000)
Proceeds from maturity of financial investments held-to-maturity securities	<b>100,000</b>	150,000	<b>100,000</b>	150,000
Interest received on financial investments held-to-maturity securities	<b>5,714</b>	7,007	<b>5,714</b>	7,007
Dividend income received from subsidiary	-	-	<b>11,650</b>	11,900
Net cash (used in)/generated from investing activities	<b>(1,656,707)</b>	45,999	<b>(1,645,060)</b>	57,907
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>519,141</b>	759,804	<b>521,187</b>	759,933
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>3,138,153</b>	1,951,246	<b>3,133,474</b>	1,948,595
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>3,657,294</b>	2,711,050	<b>3,654,661</b>	2,708,528

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**1 Review of Performance and Commentary of Prospects**

For the second quarter ended 30 June 2017, the Group recorded profit before taxation of RM71.8 million, an decrease of RM5.2 million or 6.8% compared to the corresponding period of 2016. The lower profit was mainly due to decrease in other operating income by RM5.7 million to RM44.3 million, which partially offset with increase in net interest income by RM15.8 million or 19%.

The group's total assets increased by RM2,129.4 million or 23.1% as compared to 31 December 2016. The total assets growth was mainly due to investment in securities.

The Bank will take advantage of the business integration exercise and work in collaboration with Holding Company to grasp possible business opportunities to accelerate overall business expansion. The Bank will aggressively promote the Belt and Road Initiative by becoming the bridge between business enterprises of Malaysia and China. The Bank is continuously enhancing its risk management and internal control structure and framework to support business expansion.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2017 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 2016.

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 2016.

Since the previous annual audited financial statements as at 31 December 2016 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 2017.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2017:

- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 107: Disclosure Initiative
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Standards issued but not yet effective

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2018:

- Clarifications to MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 140: Transfers of Investment Property
- Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 15: Revenue from Contracts with Customers
- IC Int 22: Foreign Currency Transactions and Advance Consideration
- MFRS 16: Leases



**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**2 Group Accounting Policies (Continued)**

Standards issued but not yet effective (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 Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

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.

**MFRS 16 Leases**

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank plan to assess the potential effect of MFRS 16 on its financial statements in year 2017.

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**3 Audit Report**

The audit report for the financial year ended 31 December 2016 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 2017.

**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 2017.

**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 2017.

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**9 Cash and short-term funds**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>161,638</b>	285,565	<b>159,005</b>	280,886
Money at call and deposit placements maturing within 1 month	<b>3,495,656</b>	2,852,588	<b>3,495,656</b>	2,852,588
	<b><u>3,657,294</u></b>	<u>3,138,153</u>	<b><u>3,654,661</u></b>	<u>3,133,474</u>

**10 Deposits and placements with banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<b>370,402</b>	320,427
Licensed banks	<b>181,803</b>	115,427
	<b><u>552,205</u></b>	<u>435,854</u>

**11 Derivative Assets/(Liabilities)**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Derivative assets	<b>1,661</b>	334
Derivative liabilities	<b>(2,168)</b>	(293)
	<b><u>(507)</u></b>	<u>41</u>

**12 Financial investments available-for-sale**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instrument:		
Malaysian Government Securities	<b>405,520</b>	-
	<b><u>405,520</u></b>	<u>-</u>

**13 Financial investments held-to-maturity**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Money market instrument:		
Malaysian Government Securities	<b>186,888</b>	288,048
Negotiable instruments of deposits	<b>1,353,627</b>	-
	<b><u>1,540,515</u></b>	<u>288,048</u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**14 Loans and advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>691,047</b>	742,315
Terms loans		
- Housing loans	<b>288,819</b>	281,719
- Syndicated term loans	<b>548,890</b>	576,970
- Other term loans	<b>1,541,616</b>	1,598,880
Bills receivables	<b>126,931</b>	201,643
Trust receipts	<b>90,562</b>	32,725
Claims on customers under acceptance credits	<b>429,338</b>	368,749
Revolving credits	<b>1,370,389</b>	1,431,418
Staff loans	<b>1,918</b>	2,255
Gross loans and advances	<b>5,089,510</b>	5,236,674
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	<b>(24,436)</b>	(17,748)
- Collective assessment allowance	<b>(47,290)</b>	(35,679)
Total net loans and advances	<b>5,017,784</b>	5,183,247

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>4,732,539</b>	4,867,116
Other countries	<b>356,971</b>	369,558
Gross loans and advances	<b>5,089,510</b>	5,236,674

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loan	<b>518,110</b>	539,374
Variable rate		
- Base Rate/Base Lending Rate plus	<b>2,275,170</b>	2,404,764
- Cost plus	<b>2,220,877</b>	2,226,280
- Other variable rates	<b>75,353</b>	66,256
Gross loans and advances	<b>5,089,510</b>	5,236,674

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**14 Loans and advances (continued)**

**(iv) By purpose**

	<b>Group and Bank</b>	
	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Purchase of securities	35,371	35,358
Purchase of transport vehicles	26,099	4,979
Purchase of landed property :	<b>1,231,707</b>	1,156,630
- Residential	<b>302,324</b>	296,681
- Non-residential	<b>929,383</b>	859,949
Purchase of fixed assets other than land and building	9,231	2,686
Personal use	<b>306,088</b>	320,080
Construction	<b>420,162</b>	266,611
Mergers and Acquisition	<b>49,015</b>	355,289
Working capital	<b>2,754,797</b>	2,940,869
Other purpose	<b>257,040</b>	154,172
<b>Gross loans and advances</b>	<b>5,089,510</b>	<b>5,236,674</b>

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Up to one month	<b>1,536,137</b>	1,524,009
More than one month to three Months	<b>924,584</b>	917,392
More than three months to six months	<b>366,149</b>	595,396
More than six months to twelve months	<b>4,067</b>	68,122
More than twelve months	<b>2,258,573</b>	2,131,755
<b>Gross loans and advances</b>	<b>5,089,510</b>	<b>5,236,674</b>

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**

	<b>Group and Bank</b>	
	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
At beginning of financial period/year	<b>111,234</b>	43,412
Classified as impaired during the period/year	<b>33,365</b>	75,016
Amount recovered	<b>(2,956)</b>	(7,194)
Reclassified as non-impaired	<b>(72,287)</b>	-
At end of financial period/year	<b>69,356</b>	111,234
Individual assessment allowance	<b>(24,436)</b>	(17,748)
<b>Net impaired loans and advances</b>	<b>44,920</b>	<b>93,486</b>
Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	<b>0.887%</b>	<b>1.791%</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**14 Loans and advances (continued)**

**(vi) Impaired loans and advances (continued)**

**(b) By geographical**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>69,356</b>	111,234

**(c) By purposes**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed property - residential	<b>4,557</b>	299
Purchase of landed property - non-residential	<b>21,333</b>	18,730
Construction	-	72,287
Personal use	<b>106</b>	1,730
Working capital	<b>43,360</b>	18,188
	<b>69,356</b>	111,234

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

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual assessment allowance</u></b>		
At beginning of the financial period/year	<b>17,748</b>	7,753
Allowance made during the financial period/year	<b>17,060</b>	11,774
Allowance written back during the financial period/year	<b>(10,372)</b>	(1,779)
At end of the financial period/year	<b>24,436</b>	17,748
<b><u>Collective assessment allowance</u></b>		
At beginning of the financial period/year	<b>35,679</b>	34,407
Allowance made during the financial period/year	<b>11,904</b>	799
Exchange differences	<b>(293)</b>	473
At end of the financial period/year	<b>47,290</b>	35,679

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**15 Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	1,355	8,810	1,110	8,400
Sundry deposits	3,073	3,028	2,658	2,634
Prepayment	151	334	146	329
Precious metal inventory	596	319	596	319
	<b>5,175</b>	<b>12,491</b>	<b>4,510</b>	<b>11,682</b>

**16 Deposits from customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	3,477,743	1,410,758	3,483,426	1,419,274
Savings deposits	213,455	150,990	213,455	150,990
Fixed deposits	4,893,291	4,382,797	4,893,291	4,382,797
Negotiable instruments of deposits	405,500	404,689	405,500	404,689
	<b>8,989,989</b>	<b>6,349,234</b>	<b>8,995,672</b>	<b>6,357,750</b>

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

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	4,208,914	4,037,464
Six months to one year	1,083,649	745,096
More than one year	6,228	4,926
	<b>5,298,791</b>	<b>4,787,486</b>

**(iii) By type of customer**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	4,032	4,120	4,032	4,120
Business enterprises	5,106,761	2,704,091	5,112,444	2,712,607
Individuals	2,385,219	2,129,924	2,385,219	2,129,924
Others	1,493,977	1,511,099	1,493,977	1,511,099
	<b>8,989,989</b>	<b>6,349,234</b>	<b>8,995,672</b>	<b>6,357,750</b>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED  
30 JUNE 2017**

**17 Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>30 June</b>	31 December
	<b>2017</b>	<u>2016</u>
	<b>RM'000</b>	RM'000
Bank Negara Malaysia	<b>55,288</b>	55,957
Licensed banks	<b>736,178</b>	1,297,267
Licensed investment banks	<b>228</b>	266
Licensed islamic banks	<b>77</b>	968
Other financial institutions	<b>2</b>	2
	<b><u>791,773</u></b>	<u>1,354,460</u>

**18 Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	31 December	<b>30 June</b>	31 December
	<b>2017</b>	<u>2016</u>	<b>2017</b>	<u>2016</u>
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Accrued expenses	<b>31,964</b>	32,964	<b>30,879</b>	32,112
Margin deposits	<b>46,737</b>	139,560	<b>46,737</b>	139,560
Other liabilities	<b>130,922</b>	40,128	<b>129,290</b>	38,458
	<b><u>209,623</u></b>	<u>212,652</u>	<b><u>206,906</u></b>	<u>210,130</u>



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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**19 Interest income**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income on non-impaired loans	<b>64,782</b>	65,041	<b>129,166</b>	129,285
- Interest income on impaired loans	<b>479</b>	875	<b>1,416</b>	1,689
Money at call and deposit placement with financial institutions	<b>33,081</b>	22,486	<b>60,292</b>	43,809
Financial investments held-to-maturity	<b>5,883</b>	3,250	<b>8,300</b>	6,872
Financial investments available-for-sale	<b>423</b>	-	<b>423</b>	-
	<b>104,648</b>	91,652	<b>199,597</b>	181,655
Accretion of discount/ (amortisation of premium), net	<b>5</b>	19	<b>(155)</b>	34
Total interest income	<b>104,653</b>	91,671	<b>199,442</b>	181,689

**20 Interest Expense**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>4,853</b>	8,620	<b>9,336</b>	20,943
Deposits from customers	<b>49,355</b>	40,001	<b>90,718</b>	77,643
Others	<b>233</b>	31	<b>527</b>	50
	<b>54,441</b>	48,652	<b>100,581</b>	98,636

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**21 Other operating income**

	2nd Quarter Ended		Six Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>Group</b>				
Fees income:				
- Fee on loans and advances	3,368	3,996	8,846	8,437
- Service charges and fees	9,263	9,091	18,676	17,895
- Guarantee fees	3,791	4,680	9,101	8,198
	<u>16,422</u>	<u>17,767</u>	<u>36,623</u>	<u>34,530</u>
Fees income:				
- Commission related expenses	(2,957)	(2,815)	(5,917)	(5,544)
Net fee income	<u>13,465</u>	<u>14,952</u>	<u>30,706</u>	<u>28,986</u>
Foreign exchange income:				
- Realised	5,822	7,271	15,924	24,880
- Unrealised	(2,025)	(36,367)	(2,063)	56
Gain/(Loss) on revaluation of derivatives	1,040	33,576	(548)	(5,225)
Sale of precious metal	182	541	286	1,258
Other income:	12	-	19	-
- Other income	-	-	-	62
Net gain on disposal of property and equipment	-	1	-	1
	<u>18,496</u>	<u>19,973</u>	<u>44,324</u>	<u>50,017</u>

	2nd Quarter Ended		Six Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>Bank</b>				
Fees income:				
- Fee on loans and advances	3,368	3,996	8,846	8,437
- Service charges and fees	882	1,104	1,875	2,164
- Guarantee fees	3,791	4,680	9,101	8,198
	<u>8,041</u>	<u>9,780</u>	<u>19,822</u>	<u>18,799</u>
Foreign exchange income:				
- Realised	5,822	7,271	15,924	24,880
- Unrealised	(2,025)	(36,367)	(2,063)	56
Gain/(loss) on revaluation of derivatives	1,041	33,576	(548)	(5,225)
Sale of precious metal	182	541	286	1,258
Other income:				
- Dividend income from subsidiary	11,650	11,900	11,650	11,900
- Other income	64	40	125	156
	<u>24,775</u>	<u>26,741</u>	<u>45,196</u>	<u>51,824</u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**22 Other operating expenses**

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<u>Personnel expenses</u>				
Salaries & wages	10,501	9,469	20,972	18,954
Bonuses	4,533	7,034	9,066	11,068
Defined contribution plan ("EPF")	1,788	1,847	3,555	3,344
Staff welfare expenses	560	683	1,042	1,238
Other personnel costs	1,387	824	1,972	1,623
	<u>18,769</u>	<u>19,857</u>	<u>36,607</u>	<u>36,227</u>
<u>Marketing expenses</u>				
Entertainment	138	246	419	642
Other marketing	55	161	331	576
	<u>193</u>	<u>407</u>	<u>750</u>	<u>1,218</u>
<u>Establishment costs</u>				
Rental of premises	2,244	1,900	4,438	3,891
Depreciation	414	1,145	1,789	2,311
Amortisation	48	23	91	46
Repairs and maintenance	113	242	248	371
Property and equipment written off	-	-	405	-
Information technology expenses	435	562	647	1,405
Other establishment costs	580	145	922	240
	<u>3,834</u>	<u>4,017</u>	<u>8,540</u>	<u>8,264</u>
<u>Administration and general expenses</u>				
Insurance premium	1,778	656	1,882	679
Auditors' remuneration	-			
- statutory audit fees	61	19	122	79
- regulatory related service	31	23	61	48
Travelling and accommodation	606	728	995	1,227
Telecommunication and utilities	267	270	550	501
Printing, stationery and postage	216	140	405	308
Legal and professional fees	248	472	751	672
Other administration and general expenses	836	521	1,879	1,104
	<u>4,043</u>	<u>2,829</u>	<u>6,645</u>	<u>4,618</u>
<u>Other expenses</u>				
Cost of precious metal	142	471	235	1,066
	<u>142</u>	<u>471</u>	<u>235</u>	<u>1,066</u>
	<u><b>26,981</b></u>	<u><b>27,581</b></u>	<u><b>52,777</b></u>	<u><b>51,393</b></u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**22 Other operating expenses (continued)**

	2nd Quarter Ended		Six Months Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<b>Bank</b>				
<u>Personnel expenses</u>				
Salaries & wages	9,957	8,940	19,810	17,956
Bonuses	4,351	6,909	8,702	10,818
Defined contribution plan ("EPF")	1,726	1,780	3,427	3,209
Staff welfare expenses	494	604	928	1,118
Other personnel costs	1,354	788	1,909	1,571
	<u>17,882</u>	<u>19,021</u>	<u>34,776</u>	<u>34,672</u>
<u>Marketing expenses</u>				
Entertainment	139	241	415	633
Other marketing	55	161	331	576
	<u>194</u>	<u>402</u>	<u>746</u>	<u>1,209</u>
<u>Establishment costs</u>				
Rental of premises	1,907	1,562	3,749	3,215
Depreciation	275	973	1,503	1,968
Amortisation	48	23	91	46
Repairs and maintenance	111	242	243	369
Property and equipment written off	-	-	405	-
Information technology expenses	435	558	644	1,400
Other establishment costs	571	143	910	226
	<u>3,347</u>	<u>3,501</u>	<u>7,545</u>	<u>7,224</u>
<u>Administration and general expenses</u>				
Insurance premium	1,778	651	1,876	674
Auditors' remuneration				
- statutory audit fees	51	14	101	61
- regulatory related service	27	22	55	43
Travelling and accommodation	599	721	968	1,207
Telecommunication and utilities	239	236	494	441
Printing, stationery and postage	179	102	333	241
Legal and professional fees	248	472	748	672
Other administration and general expenses	774	414	1,766	953
	<u>3,895</u>	<u>2,632</u>	<u>6,341</u>	<u>4,292</u>
<u>Other expenses</u>				
Cost of precious metal	142	471	235	1,066
	<u>142</u>	<u>471</u>	<u>235</u>	<u>1,066</u>
	<u>25,460</u>	<u>26,027</u>	<u>49,643</u>	<u>48,463</u>

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**23 Allowance made for impairment on loans and advances and other losses**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for impaired loans and advances				
<u>Individual impairment allowance</u>				
- Made during the financial period	<b>15,374</b>	7,087	<b>17,060</b>	7,087
- Written back during the financial period	<b>(10,372)</b>	(1,451)	<b>(10,372)</b>	(1,451)
	<b>5,002</b>	5,636	<b>6,688</b>	5,636
<u>Collective impairment allowance</u>				
- Made during the financial period	<b>12,303</b>	-	<b>11,904</b>	-
- Written back during the financial period	-	(5,074)	-	(1,037)
	<b>12,303</b>	(5,074)	<b>11,904</b>	(1,037)
	<b>17,305</b>	562	<b>18,592</b>	4,599

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**24 Capital adequacy**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b><u>Common Equity Tier 1 (CET1) Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>227,456</b>	227,456	<b>215,751</b>	215,751
Other reserves	<b>279,786</b>	279,786	<b>279,786</b>	279,786
Regulatory reserves	<b>26,948</b>	26,948	<b>26,948</b>	26,948
	<b>1,294,708</b>	1,294,708	<b>1,283,003</b>	1,283,003
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(5,281)</b>	(4,738)	<b>(5,062)</b>	(4,553)
- Regulatory reserve attributable to loans and advances	<b>(26,948)</b>	(26,948)	<b>(26,948)</b>	(26,948)
	<b>(32,229)</b>	(31,686)	<b>(32,010)</b>	(31,501)
Total CET1 capital / Total Tier 1 capital	<b>1,262,479</b>	1,263,022	<b>1,250,993</b>	1,251,502
<b><u>Tier-2 capital</u></b>				
Collective assessment allowance	<b>47,280</b>	35,657	<b>47,280</b>	35,657
Regulatory reserves	<b>13,491</b>	26,948	<b>13,491</b>	26,948
Less: Investment in subsidiary	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>60,771</b>	62,605	<b>59,771</b>	61,605
Total capital base	<b>1,323,250</b>	1,325,627	<b>1,310,764</b>	1,313,107
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>19.965%</b>	20.155%	<b>19.922%</b>	20.111%
Tier 1 capital ratio	<b>19.965%</b>	20.155%	<b>19.922%</b>	20.111%
Total capital ratio	<b>20.926%</b>	21.154%	<b>20.874%</b>	21.100%

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**24 Capital adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	<b>5,843,575</b>	5,807,457	<b>5,841,008</b>	5,804,048
Market risk	<b>10,367</b>	12,611	<b>10,367</b>	12,611
Operational risk	<b>469,667</b>	446,601	<b>428,171</b>	406,461
Total risk-weighted assets	<b>6,323,609</b>	6,266,669	<b>6,279,546</b>	6,223,120

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 maintained RM13.491 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.20% of total outstanding loans and advances, net of individual impairment. The regulatory reserve does qualify as Common Equity Tier 1 (CET1) Capital and Tier 1 Capital under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**25 Commitments and contingencies**

	<b>Group and Bank</b>					
	<b>30 June 2017</b>			<b>31 December 2016</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	<b>47,588</b>	<b>47,588</b>	<b>47,588</b>	47,930	47,930	50,046
Transaction-related contingent items	<b>1,809,523</b>	<b>904,761</b>	<b>770,681</b>	1,828,022	914,011	834,739
Short-term self-liquidation trade related contingencies	<b>234,081</b>	<b>46,816</b>	<b>20,319</b>	221,700	44,340	17,784
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,594,751</b>	<b>318,950</b>	<b>273,789</b>	1,119,236	223,847	200,294
- Maturity exceeding one year	<b>366,784</b>	<b>183,392</b>	<b>138,068</b>	211,970	105,985	52,937
Foreign exchange related contracts:						
- Less than one year	<b>289,111</b>	<b>4,290</b>	<b>3,492</b>	89,383	499	282
<b>Total</b>	<b>4,341,838</b>	<b>1,505,797</b>	<b>1,253,937</b>	3,518,241	1,336,612	1,156,082



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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**26 Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group and Bank</b>	
	<b>30 June 2017</b>	<b>31 December 2016</b>
Outstanding credit exposures with connected parties (RM'000)	<b>783,847</b>	798,703
Percentage of outstanding credit exposures to connected parties total credit exposures	<b>12%</b>	12%
Percentage of outstanding credit exposures with connected parties non-performing or in default	<b>0%</b>	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.

**27 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 30 June 2017.

**28 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.

**29 Events subsequent to Reporting Date**

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

**30 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 2017.