

BANK OF CHINA (MALAYSIA) BERHAD (511251-V)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013**

	Note	Group		Bank	
		30 September	31 December	30 September	31 December
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	9	2,514,428	1,929,445	2,513,408	1,929,298
Deposits and placements with banks and other financial institutions	10	1,614,571	564,549	1,614,571	564,549
Derivative assets	11	40	629	40	629
Held-to-maturity securities	12	281,967	61,157	281,967	61,157
Loans and advances	13	2,435,346	1,945,141	2,435,346	1,945,141
Other assets	14	4,707	18,126	3,922	17,700
Tax recoverable		4,112	5,233	3,938	5,020
Deferred tax assets		3,586	3,042	3,452	2,907
Statutory deposits with Bank Negara Malaysia		62,100	40,200	62,100	40,200
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		8,245	7,652	7,059	6,763
Intangible assets		245	212	243	212
TOTAL ASSETS		6,929,347	4,575,386	6,927,046	4,574,576
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	15	2,508,024	2,198,567	2,515,897	2,204,289
Deposits and placements of banks and other financial institutions	16	3,871,935	1,848,736	3,871,935	1,848,736
Derivative liabilities	11	1,591	866	1,591	866
Other liabilities	17	54,108	67,698	51,871	66,395
TOTAL LIABILITIES		6,435,658	4,115,867	6,441,294	4,120,286
Financed by:					
Share capital		304,000	304,000	304,000	304,000
Reserves		189,689	155,519	181,752	150,290
SHAREHOLDERS' EQUITY		493,689	459,519	485,752	454,290
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,929,347	4,575,386	6,927,046	4,574,576
COMMITMENTS AND CONTINGENCIES					
	24	2,195,809	2,162,787	2,195,809	2,162,787

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 2012

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

Group	3rd Quarter Ended		Nine Months Ended		
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000	
Interest income	18	59,327	44,456	162,241	116,381
Interest expense	19	(36,040)	(28,409)	(100,434)	(70,430)
Net interest income		23,287	16,047	61,807	45,951
Other operating income	20	7,321	8,748	24,418	28,812
Other operating expenses	21	(12,095)	(10,735)	(38,017)	(29,393)
Operating profit		18,513	14,060	48,208	45,370
Allowance for impairment on loans and advances	22	-	-	-	(14,023)
Profit before taxation		18,513	14,060	48,208	31,347
Taxation		(5,776)	(3,573)	(14,038)	(10,571)
Total comprehensive income for the period		12,737	10,487	34,170	20,776

Bank	3rd Quarter Ended		Nine Months Ended		
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000	
Interest income	18	59,327	44,456	162,241	116,381
Interest expense	19	(36,040)	(28,409)	(100,434)	(70,430)
Net interest income		23,287	16,047	61,807	45,951
Other operating income	20	4,827	12,205	17,223	26,899
Other operating expenses	21	(10,774)	(12,514)	(34,735)	(26,268)
Operating profit		17,340	15,738	44,295	46,582
Allowance for losses on loans and advances	22	-	-	-	(14,023)
Profit before taxation		17,340	15,738	44,295	32,559
Taxation		(5,273)	(3,131)	(12,833)	(9,129)
Total comprehensive income for the period		12,067	12,607	31,462	23,430

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 2012

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	Issued and fully paid ordinary shares of	Non- distributable	Distributable	Total
	RM1.00 each			
	Nominal value RM'000	RM'000	RM'000	RM'000
Group				
Balance as at 1 January 2013	304,000	93,688	61,831	459,519
Profit for the financial period	-	-	34,170	34,170
Total comprehensive income for the period	-	-	34,170	34,170
At 30 September 2013	304,000	93,688	96,001	493,689
Balance as at 1 January 2012	304,000	72,218	36,804	413,022
Net profit for the financial period	-	-	20,776	20,776
Total comprehensive income for the period	-	-	20,776	20,776
At 30 September 2012	304,000	86,058	43,740	433,798
Bank				
Balance as at 1 January 2013	304,000	93,688	56,602	454,290
Profit for the financial period	-	-	31,462	31,462
Total comprehensive income for the period	-	-	31,462	31,462
At 30 September 2013	304,000	93,688	88,064	485,752
Balance as at 1 January 2012	304,000	72,218	30,749	406,967
Profit for the financial period	-	-	23,430	23,430
Total comprehensive income for the period	-	-	23,430	23,430
At 30 September 2012	304,000	72,218	54,179	430,397

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 2012

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Group		Bank	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	48,208	31,347	44,295	32,559
<i>Adjustment for:</i>				
Depreciation of property and equipment	1,521	1,187	1,369	1,013
Amortisation of intangible assets	220	85	54	82
Amortisation of premium less accretion of discount	213	159	213	159
Allowance for losses on loans and advances	-	14,023	-	14,023
Interest income from held-to-maturity securities	(2,952)	(1,409)	(2,952)	(1,409)
Unrealised foreign exchange (gain)/loss	(385)	6,375	(385)	6,375
Net loss on revaluation of derivative	1,314	-	1,314	-
Dividend Income	-	-	-	(5,800)
Operating profit before changes in operating assets and liabilities	48,139	51,767	43,908	47,002
(INCREASE)/DECREASE IN OPERATING ASSETS				
Deposits and placements with banks and other financial institutions	(1,050,022)	(269,486)	(1,050,022)	(269,486)
Loans and advances	(490,205)	(784,373)	(490,205)	(784,373)
Held-to-maturity Securities	-	(30,802)	-	(30,802)
Other assets	13,804	(9,226)	14,163	(9,501)
Amount due from subsidiary company	-	-	-	-
Statutory deposits with Bank Negara Malaysia	(21,900)	(21,200)	(21,900)	(21,200)
INCREASE/(DECREASE) IN OPERATING LIABILITIES				
Deposits from customers	309,457	666,420	311,608	663,748
Deposits and placements of banks and other financial institutions	2,023,199	883,967	2,023,199	883,967
Other liabilities	(13,590)	16,788	(14,524)	15,948
Cash generated from operating activities	818,882	503,855	816,227	495,303
Taxation paid	(13,461)	(11,871)	(12,296)	(10,264)
Net cash generated from operating activities	805,421	491,984	803,931	485,039
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend income received from subsidiary	-	-	-	5,800
Purchase of property and equipment	(2,114)	(1,295)	(1,665)	(1,272)
Purchase of intangible assets	(253)	(316)	(85)	(317)
Net purchases of held-to-maturity securities	(221,023)	-	(221,023)	-
Interest received on held-to-maturity securities	2,952	1,638	2,952	1,638
Net cash generated from investing activities	(220,438)	27	(219,821)	5,849
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	-	-	-
Net cash used in financing activities	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	584,983	492,011	584,110	490,888
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,929,445	1,206,298	1,929,298	1,206,248
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,514,428	1,698,309	2,513,408	1,697,136

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

1 Review of Performance and Commentary of Prospects

The Bank's profit before taxation for the nine months ended 30 September 2013 was higher as compared with the corresponding period in 2012 mainly due to increase in net interest income and no additional allowance for impairment on loans and advances. This was offset by higher other operating expenses. 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 nine months ended 30 September 2013 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 2012.

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 2012.

Since the previous annual audited financial statements as at 31 December 2012 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2013. 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 following MFRS and amendments to MFRSs have been adopted by the Group and the Bank during the current period:

MFRS	10 Consolidated Financial Statements
MFRS	2 Disclosures of Interests in Other Entities
MFRS	13 Fair Values Measurements
MFRS	127 Separate Financial Statements
MFRS	101 Presentation of Items of Other Comprehensive Income
MFRS	119 Employee Benefits
MFRS	7 Financial Instruments: Disclosures

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2013 :

MFRS	132 Financial Instruments: Presentation
MFRS	9 Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ('OCI'). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to 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 except for MFRS 9. The Group and the Bank has not finalized the impact of the adoption of MFRS 9.

3 Audit Report

The audit report for the financial period ended 31 December 2012 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 nine months ended 30 September 2013.

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NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

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 nine months ended 30 September 2013.

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 nine months ended 30 September 2013.

9 Cash and short-term funds

	Group		Bank	
	30 September	31 December	30 September	31 December
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	822,949	143,278	821,929	143,131
Money at call and deposit placements maturing within 1 month	1,691,479	1,786,167	1,691,479	1,786,167
	<u>2,514,428</u>	<u>1,929,445</u>	<u>2,513,408</u>	<u>1,929,298</u>

10 Deposits and placements with banks and other financial institutions

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Bank Negara Malaysia	60,143	65,005
Other financial institutions	1,554,428	499,544
	<u>1,614,571</u>	<u>564,549</u>

11 Derivative Assets/(Liabilities)

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Derivative assets	40	629
Derivative liabilities	(1,591)	(866)
	<u>(1,551)</u>	<u>(237)</u>

12 Held-to-maturity securities

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
At amortised cost		
Money market instrument:		
Malaysian Government Securities	206,820	41,101
Negotiable instruments of deposits	75,147	20,056
	<u>281,967</u>	<u>61,157</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

13 Loans and advances

At amortised cost

(i) By type

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Overdrafts	306,882	226,199
Terms loans		
- Housing loans	50,140	23,751
- Syndicated term loans	270,029	268,477
- Other term loans	986,009	726,897
Revolving credits	275,262	122,202
Bills receivables	420,897	423,934
Trust receipts	2,932	7,535
Claims on customers under acceptance credits	142,161	103,127
Staff loans	1,854	2,192
Loans to banks and other financial institutions	-	61,647
Total gross loans and advances	2,456,166	1,965,961
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(20,809)	(20,809)
- Individual assessment allowance	(11)	(11)
Total net loans and advances	2,435,346	1,945,141

(ii) By geographical distribution

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Malaysia	1,989,765	1,402,636
Other countries	466,401	563,325
	2,456,166	1,965,961

(iii) By interest rate sensitivity

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan	395,325	383,560
Variable rate		
- BLR plus	1,323,233	951,303
- Cost plus	337,154	277,198
- Other variable rates	400,454	353,900
	2,456,166	1,965,961

(iv) By purpose

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Purchase of securities	131,377	29,168
Purchase of transport vehicles	28	48
Purchase of landed property :		
- Residential	72,135	36,996
- Non-residential	564,429	437,724
Purchase of fixed assets other than land and building	14,260	7,824
Personal use	92,652	66,290
Construction	33,328	16,274
Working capital	1,462,133	1,197,645
Other purpose	85,824	173,992
	2,456,166	1,965,961

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

13 Loans and advances (continued)

(v) By residual contractual maturity

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Up to one month	422,797	542,400
More than one month to three months	105,654	187,219
More than three months to six months	49,244	396,713
More than six months to twelve months	351,007	127,236
More than twelve months	1,527,464	712,393
	<u>2,456,166</u>	<u>1,965,961</u>

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 September	31 December
	2013	2012
	RM'000	RM'000
At beginning of financial period/year	14,072	93
Classified as impaired during the period/year	813	34,262
Amount recovered	<u>(2,200)</u>	<u>(20,283)</u>
At end of financial period/year	12,685	14,072
Individual assesment allowance	<u>(11)</u>	<u>(11)</u>
Net impaired loans and advances	<u>12,674</u>	<u>14,061</u>
Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	0.52%	0.72%

(b) By geographical

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Malaysia	<u>12,685</u>	<u>14,072</u>

(c) By purposes

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Purchase of residential property	75	87
Working capital	12,610	13,985
	<u>12,685</u>	<u>14,072</u>

(vii) Allowance for impairment on loans and advances

Movements in allowance for impairment for loans and advances

	Group and Bank	
	30 September	31 December
	2013	2012
	RM'000	RM'000
Collective assessment allowance		
At beginning of the financial period/year	20,809	16,492
Allowance made during the financial period/year	-	6,320
Write back during the financial period/year	-	<u>(2,003)</u>
At end of the financial period/year	<u>20,809</u>	<u>20,809</u>
Individual assessment allowance		
At beginning of the financial period/year	11	11
- as previously reported	-	-
At end of the financial period/year	<u>11</u>	<u>11</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

14 Other Assets

	Group		Bank	
	30 September	31 December	30 September	31 December
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Other receivables	2,586	16,452	2,480	16,204
Sundry deposits	1,946	1,306	1,373	1,128
Prepayment	175	368	69	368
	<u>4,707</u>	<u>18,126</u>	<u>3,922</u>	<u>17,700</u>

15 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	30 September	31 December	30 September	31 December
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Demand deposits	213,678	195,003	221,551	200,725
Savings deposits	61,171	40,325	61,171	40,325
Fixed deposits	2,233,175	1,961,639	2,233,175	1,961,639
Others	-	1,600	-	1,600
	<u>2,508,024</u>	<u>2,198,567</u>	<u>2,515,897</u>	<u>2,204,289</u>

(ii) By type of customer

	Group		Bank	
	30 September	31 December	30 September	31 December
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	2,002	10,765	2,002	10,765
Business enterprises	1,355,925	1,283,008	1,355,925	1,288,730
Individuals	884,241	831,686	884,241	831,686
Others	265,856	73,108	273,729	73,108
	<u>2,508,024</u>	<u>2,198,567</u>	<u>2,515,897</u>	<u>2,204,289</u>

(iii) Maturity structure of fixed deposits

	Group and Bank	
	30 September	31 December
	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
Due within six months	1,987,448	1,403,760
Six months to one year	527,638	519,575
More than one year	811	38,304
	<u>2,515,897</u>	<u>1,961,639</u>

16 Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September	31 December
	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
Bank Negara Malaysia	838,006	520,015
Licensed banks	3,032,522	1,327,582
Licensed investment banks	82	37
Other financial institutions	949	535
Licensed islamic banks	376	567
	<u>3,871,935</u>	<u>1,848,736</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

17 Other liabilities

	Group		Bank	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	15,084	10,791	13,026	10,029
Margin deposits	10,459	21,215	10,459	21,215
Other liabilities	28,565	35,692	28,386	35,151
	54,108	67,698	51,871	66,395

18 Interest income

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	27,662	25,614	77,350	69,929
Money at call and deposit placement with financial institutions	30,062	18,322	82,152	45,202
Securities				
- Held-to-maturity investments	1,668	520	2,952	1,250
	59,392	44,456	162,454	116,381
Amortisation of premium less accretion of discount	(65)	-	(213)	-
Total interest income	59,327	44,456	162,241	116,381

19 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	18,613	12,825	51,604	30,308
Deposits from customers	17,408	15,558	48,787	40,046
Others	19	26	43	76
	36,040	28,409	100,434	70,430

20 Other operating income

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Group				
Fees income:				
- Fee on loans and advances	1,647	1,764	5,381	6,117
- Service charges and fees	3,361	3,898	10,626	12,496
- Guarantee fees	1,241	866	3,179	2,595
	6,249	6,528	19,186	21,208
Foreign exchange income:				
- Realised	4,490	2,471	5,998	13,857
- Unrealised	(7,868)	(251)	385	(6,375)
Loss on revaluation of derivatives	4,359	-	(1,314)	-
Other income	90	-	163	122
	7,320	8,748	24,418	28,812

	3rd Quarter Ended		Nine Months Ended	
	Bank		Bank	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Fees income:				
- Fee on loans and advances	1,647	1,764	5,381	6,117
- Service charges and fees	928	1,525	3,431	4,693
- Guarantee fees	1,241	866	3,179	2,595
	3,816	4,155	11,991	13,405
- Realised	4,490	2,471	5,998	13,857
- Unrealised	(7,868)	(251)	385	(6,375)
Loss on revaluation of derivatives	4,359	-	(1,314)	-
Other income	30	5,830	163	6,012
	4,827	12,205	17,223	26,899

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTMEBER 2013

21 Other operating expenses
Group

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries & wages	4,802	3,672	14,309	10,565
Bonuses	2,077	2,363	6,055	5,706
Defined contribution plan ("EPF")	918	859	2,694	2,274
Staff welfare expenses	207	193	831	628
Other personnel costs	834	323	2,361	736
	8,838	7,410	26,250	19,909
Marketing expenses				
Entertainment	190	194	646	429
Other marketing	(18)	95	179	154
	172	289	825	583
Establishment costs				
Rental of premises	1,201	961	3,417	2,634
Depreciation	498	408	1,521	1,187
Amortisation	166	28	220	85
Repairs and maintenance	(262)	(17)	165	215
Other establishment costs	767	1,007	2,241	1,954
	2,370	2,387	7,564	6,075
Administration and general expenses				
Insurance premium	5	(5)	276	178
Auditors' remuneration - statutory audit fees	-	-	80	-
- other fees	51	-	81	-
Travelling and accommodation	325	(18)	821	498
Telecommunication and utilities	191	171	553	428
Printing, stationery and postage	138	185	428	505
Legal and professional fees	187	114	342	199
Other administration and general expenses	(182)	202	797	1,018
	715	649	3,378	2,826
	12,095	10,735	38,017	29,393
Bank				
	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	-	RM'000	RM'000
Personnel expenses				
Salaries & wages	4,385	3,246	13,012	9,373
Bonuses	1,943	5,058	5,774	5,058
Defined contribution plan ("EPF")	863	820	2,549	2,163
Staff welfare expenses	175	167	730	544
Other personnel costs	794	241	2,228	628
	8,160	9,532	24,293	17,766
Marketing expenses				
Entertainment	183	178	609	396
Other marketing	(11)	95	179	144
	172	273	788	540
Establishment costs				
Rental of premises	780	789	2,622	2,114
Depreciation	442	350	1,369	1,013
Amortisation	165	27	219	82
Repairs and maintenance	(264)	(19)	159	210
Other establishment costs	733	985	2,163	1,890
	1,856	2,132	6,532	5,309
Administration and general expenses				
Insurance premium	6	(5)	274	175
Auditors' remuneration - statutory audit fees	-	-	62	-
- other fees	46	-	76	-
Travelling and accommodation	319	(48)	788	458
Telecommunication and utilities	180	159	518	393
Printing, stationery and postage	129	172	398	463
Legal and professional fees	115	114	265	199
Other administration and general expenses	(209)	185	741	965
	586	577	3,122	2,653
	10,774	12,514	34,735	26,268

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

22 Allowance for impairment on loans and advances

	3rd Quarter Ended		Nine Months Ended	
	Group and Bank		Group and Bank	
	30 September	30 September	30 September	30 September
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	RM'000	RM'000	RM'000	RM'000
Collective assessment allowance				
- Made during the financial period	-	-	-	14,023

23 Capital adequacy

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

	Bank	
	30 September	31 December
	<u>2013</u>	<u>2012</u>
	RM'000	RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>		
Paid-up ordinary share capital	304,000	304,000
Retained profits	56,602	56,602
Other reserves	93,688	93,688
	454,290	454,290
Less: Deferred tax assets	(3,452)	(2,907)
Total CET1 capital	450,838	451,383
Total Tier 1 capital	470,644	451,383
<u>Tier-2 capital</u>		
Collective assessment allowance	20,809	20,809
Total Tier-2 capital	20,809	20,809
Less: Investment in subsidiary	(1,000)	(1,000)
Total capital base	470,647	471,192
<u>Capital ratios</u>		
CET 1 capital ratio	13.9%	17.4%
Tier 1 capital ratio	13.9%	17.4%
Total capital ratio	14.5%	18.2%

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

Credit risk	3,089,591	2,457,036
Market risk	12,136	9,936
Operational risk	151,699	123,294
Total risk-weighted assets	3,253,426	2,590,266

With effect from 1 January 2013, 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. In line with the transitional arrangements under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I capital ratio and Tier 1 capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remain at 8.0% (2012 - 8.0%) for total capital ratio.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

24 Commitments and contingencies

	Group and Bank					
	30 September 2013			31 December 2012		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	-	-	-	-	-	-
Transaction-related contingent items	963,670	481,835	197,906	749,679	374,840	187,821
Short-term self-liquidation trade related contingencies	23,792	4,758	2,643	12,511	2,502	2,502
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	617,473	123,495	120,269	446,220	89,244	89,050
- Maturity exceeding one year	439,342	219,671	194,678	297,957	148,979	142,590
Foreign exchange related contracts:						
- Less than one year	151,532	2,103	514	651,493	7,691	1,538
Others	-	-	-	4,927	-	-
Total	<u>2,195,809</u>	<u>831,862</u>	<u>516,010</u>	<u>2,162,787</u>	<u>623,256</u>	<u>423,501</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

25 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 September 2013	31 December 2012
Outstanding credit exposures with connected parties (RM'000)	<u>463,418</u>	<u>352,460</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>16%</u>	<u>15%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

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

26 Operations of Islamic Banking

No Islamic banking activities was involved for the financial period ended 30 September 2013.

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 3rd quarter ended 30 September 2013.