

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

	Note	Group		Bank	
		30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	2,578,050	1,951,246	2,576,165	1,948,595
Deposits and placements with banks and other financial institutions	10	592,338	1,162,832	592,338	1,162,832
Derivative assets	11	25	2,273	25	2,273
Held-to-maturity securities	12	286,409	429,633	286,409	429,633
Loans and advances	13	5,097,073	4,722,114	5,097,073	4,722,114
Other assets	14	10,578	9,095	9,924	8,467
Deferred tax assets		2,767	2,866	2,741	2,783
Statutory deposits with Bank Negara Malaysia		109,200	128,200	109,200	128,200
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		43,969	43,565	42,135	41,266
Intangible assets		103	172	103	172
<b>TOTAL ASSETS</b>		<b>8,720,512</b>	<b>8,451,996</b>	<b>8,717,113</b>	<b>8,447,335</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	15	5,840,662	6,059,685	5,847,872	6,069,902
Deposits and placements of banks and other financial institutions	16	1,362,578	1,006,020	1,362,578	1,006,020
Derivative liabilities	11	278	958	278	958
Other liabilities	17	255,875	202,682	253,573	200,551
Provision for taxation		1,051	835	1,051	11
<b>TOTAL LIABILITIES</b>		<b>7,460,444</b>	<b>7,270,180</b>	<b>7,465,352</b>	<b>7,277,442</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		499,550	421,298	491,243	409,375
<b>TOTAL EQUITY</b>		<b>1,260,068</b>	<b>1,181,816</b>	<b>1,251,761</b>	<b>1,169,893</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,720,512</b>	<b>8,451,996</b>	<b>8,717,113</b>	<b>8,447,335</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>3,926,258</b>	3,326,841	<b>3,926,258</b>	3,326,841

*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 2015*

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	18	<b>90,801</b>	96,089	<b>272,490</b>	282,374
Interest expense	19	<b>(48,064)</b>	(56,342)	<b>(146,700)</b>	(164,192)
Net interest income		<b>42,737</b>	39,747	<b>125,790</b>	118,182
Other operating income	20	<b>17,174</b>	21,793	<b>67,191</b>	47,004
Other operating expenses	21	<b>(23,609)</b>	(22,634)	<b>(75,002)</b>	(67,125)
Operating profit		<b>36,302</b>	38,906	<b>117,979</b>	98,061
Allowance (made)/written back for impairment on loans and advances	22	<b>(7,878)</b>	940	<b>(12,477)</b>	(4,148)
Profit before taxation		<b>28,424</b>	39,846	<b>105,502</b>	93,913
Taxation		<b>(3,633)</b>	(8,520)	<b>(27,250)</b>	(28,093)
Total comprehensive income for the period		<b>24,791</b>	31,326	<b>78,252</b>	65,820

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		RM'000	RM'000	RM'000	RM'000
<b>Bank</b>					
Interest income	18	<b>90,801</b>	96,089	<b>272,490</b>	282,374
Interest expense	19	<b>(48,064)</b>	(56,342)	<b>(146,700)</b>	(164,192)
Net interest income		<b>42,737</b>	39,747	<b>125,790</b>	118,182
Other operating income	20	<b>12,012</b>	17,043	<b>63,836</b>	45,164
Other operating expenses	21	<b>(22,099)</b>	(21,207)	<b>(70,562)</b>	(63,041)
Operating profit		<b>32,650</b>	35,583	<b>119,064</b>	100,305
Allowance (made)/written back for impairment on loans and advances	22	<b>(7,878)</b>	940	<b>(12,477)</b>	(4,148)
Profit before taxation		<b>24,772</b>	36,523	<b>106,587</b>	96,157
Taxation		<b>(2,809)</b>	(7,621)	<b>(24,719)</b>	(25,374)
Total comprehensive income for the period		<b>21,963</b>	28,902	<b>81,868</b>	70,783

*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 2015*

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Share capital RM'000	← Non-distributable →		Distributable retained profits RM'000	Total RM'000
		Statutory reserves RM'000	Regulatory reserves RM'000		
<b>Group</b>					
Balance as at 1 January 2016	760,518	223,231	22,671	175,396	1,181,816
Total comprehensive income for the period	-	-	-	78,252	78,252
Transfer to regulatory reserve	-	-	2,976	(2,976)	-
<b>At 30 September 2016</b>	<b>760,518</b>	<b>223,231</b>	<b>25,647</b>	<b>250,672</b>	<b>1,260,068</b>
Balance as at 1 January 2015	760,518	171,605	-	147,077	1,079,200
Total comprehensive income for the period	-	-	-	65,820	65,820
Transfer to regulatory reserve	-	-	22,412	(22,412)	-
At 30 September 2015	760,518	171,605	22,412	190,485	1,145,020
<b>Bank</b>					
Balance as at 1 January 2016	760,518	223,231	22,671	163,473	1,169,893
Total comprehensive income for the period	-	-	-	81,868	81,868
Transfer to regulatory reserve	-	-	2,976	(2,976)	-
<b>At 30 September 2016</b>	<b>760,518</b>	<b>223,231</b>	<b>25,647</b>	<b>242,365</b>	<b>1,251,761</b>
Balance as at 1 January 2015	760,518	171,605	-	134,518	1,066,641
Total comprehensive income for the period	-	-	-	70,783	70,783
Transfer to regulatory reserve	-	-	22,412	(22,412)	-
At 30 September 2015	760,518	171,605	22,412	182,889	1,137,424

*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 2015*

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Group		Bank	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Note				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	105,502	93,913	106,587	96,157
<i>Adjustment for:</i>				
Depreciation of property and equipment	3,443	2,636	2,929	2,118
Amortisation of intangible assets	69	70	69	68
(Accretion of discount)/ amortisation of premium, net	(33)	252	(33)	252
Allowance for losses on loans and advances	12,477	4,148	12,477	4,148
Interest income from held-to-maturity securities	(9,471)	(14,469)	(9,471)	(14,469)
Unrealised foreign exchange loss/(gain)	5,541	(3,027)	5,541	(3,027)
Net loss/(gain) on revaluation of derivative	1,568	(4,390)	1,568	(4,390)
Net gain on disposal of property and equipment	(1)	-	-	-
Property and equipment written off	-	139	-	139
Dividend Income	-	-	(11,900)	(12,500)
Operating profit before changes in operating activities	<b>119,095</b>	79,272	<b>107,767</b>	68,496
<b>DECREASE/(INCREASE) IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	570,494	(909,032)	570,494	(909,032)
Loans and advances	(387,436)	154,722	(387,436)	154,722
Other assets	(7,024)	3,318	(6,998)	3,306
Statutory deposits with Bank Negara Malaysia	19,000	(55,800)	19,000	(55,800)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	(219,023)	922,587	(222,030)	918,746
Deposits and placements of banks and other financial institutions	356,558	(1,790,683)	356,558	(1,790,683)
Other liabilities	53,193	61,210	53,022	60,625
Cash used in operating activities	504,857	(1,534,406)	490,377	(1,549,620)
Taxation paid	(26,935)	(26,937)	(23,637)	(24,136)
Net cash generated from/(used in) operating activities	<b>477,922</b>	(1,561,343)	<b>466,740</b>	(1,573,756)

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	Group		Bank	
	30 September <u>2016</u>	30 September <u>2015</u>	30 September <u>2016</u>	30 September <u>2015</u>
Note	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(3,847)</b>	(20,177)	<b>(3,798)</b>	(20,206)
Proceeds from disposal of property and equipment	<b>1</b>	-	-	-
Purchases of held-to-maturity securities	<b>(110,000)</b>	(563,735)	<b>(110,000)</b>	(563,735)
Proceeds from maturity of held-to-maturity securities	<b>250,012</b>	545,056	<b>250,012</b>	545,056
Interest received on held-to-maturity securities	<b>12,716</b>	16,219	<b>12,716</b>	16,219
Dividend income received from subsidiary	-	-	<b>11,900</b>	12,500
Net cash generated from/(used in) investing activities	<b>148,882</b>	(22,637)	<b>160,830</b>	(10,166)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>626,804</b>	(1,583,980)	<b>627,570</b>	(1,583,922)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>1,951,246</b>	3,609,580	<b>1,948,595</b>	3,605,813
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>2,578,050</b>	2,025,600	<b>2,576,165</b>	2,021,891

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

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

For the nine months ended 30 September 2016, the Group recorded profit before taxation of RM105.5 million, registering an increase of RM11.6 million or 12% compared to the corresponding period of 2015. The higher profit was mainly due to increase in the other operating income by RM20.2 million or 43% to RM67.2 million.

The group's total assets improved by RM268.5 million to RM8.7 billion as at 30 September 2016. The increase in total assets was mainly due to higher loans and advances by RM387.3 million to RM5.2 billion. Total liabilities grow 2.6% to RM7.5 billion.

Global environment is expected to remain uncertain. In Malaysia the economy fundamental remain stable, investment spending will continue to support economic growth overall investment is expected to be supported by the on-going implementation of infrastructure projects.

The Bank will continue to focus on Corporate Financing Business, Personal Financing Business, Financial Market as its core business, leveraging on the advantages of the BOC Group international network and diversification businesses, endeavour to be the leading global bank in Malaysia's Renminbi strategy and support Malaysia's connectivity in world economy to play a pivotal role under the Belt and Road initiative.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2016 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 2015.

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 2015.

Since the previous annual audited financial statements as at 31 December 2015 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.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**2 Group Accounting Policies (Continued)**

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 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
  
- 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 14 Regulatory Deferral Accounts
- MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- MFRS 7 Financial Instruments: Disclosures
- MFRS 119 Employee Benefits
- MFRS 134 Interim Financial Reporting

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:

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

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.

**3 Audit Report**

The audit report for the financial year ended 31 December 2015 was not subject to any qualification.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**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 2016.

**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 2016.

**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 2016.



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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**9 Cash and short-term funds**

	<u>Group</u>		<u>Bank</u>	
	<u>30 September 2016</u>	<u>31 December 2015</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and balances with banks and other financial institutions	351,731	572,282	349,846	569,631
Money at call and deposit placements maturing within 1 month	2,226,319	1,378,964	2,226,319	1,378,964
	<u>2,578,050</u>	<u>1,951,246</u>	<u>2,576,165</u>	<u>1,948,595</u>

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

	<u>Group and Bank</u>	
	<u>30 September 2016</u>	<u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Bank Negara Malaysia	50,127	-
Licensed banks	542,211	1,162,832
	<u>592,338</u>	<u>1,162,832</u>

**11 Derivative Assets/(Liabilities)**

	<u>Group and Bank</u>	
	<u>30 September 2016</u>	<u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Derivative assets	25	2,273
Derivative liabilities	(278)	(958)
	<u>(253)</u>	<u>1,315</u>

**12 Held-to-maturity securities**

	<u>Group and Bank</u>	
	<u>30 September 2016</u>	<u>31 December 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>At amortised cost</b>		
Money market instrument:		
Malaysian Government Securities	286,409	389,529
Negotiable instruments of deposits	-	40,104
	<u>286,409</u>	<u>429,633</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**13 Loans and advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	777,141	783,669
Terms loans		
- Housing loans	281,358	269,734
- Syndicated term loans	477,603	404,537
- Other term loans	1,631,598	1,672,155
Bills receivables	327,421	295,094
Trust receipts	33,050	27,871
Claims on customers under acceptance credits	317,867	350,990
Revolving credits	1,302,604	958,172
Credit card receivables	-	45
Staff loans	2,893	2,007
Gross loans and advances	<u>5,151,535</u>	<u>4,764,274</u>
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(17,844)	(7,753)
- Collective assessment allowance	(36,618)	(34,407)
Total net loans and advances	<u>5,097,073</u>	<u>4,722,114</u>

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	4,874,398	4,366,883
Other countries	277,137	397,391
Gross loans and advances	<u>5,151,535</u>	<u>4,764,274</u>

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loan	463,688	626,992
Variable rate		
- Base Rate/Base Lending Rate plus	2,484,372	2,576,121
- Cost plus	2,138,983	1,493,810
- Other variable rates	64,492	67,351
Gross loans and advances	<u>5,151,535</u>	<u>4,764,274</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**13 Loans and advances (continued)**

**(iv) By purpose**

	<b>Group and Bank</b>	
	<b>30 September 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of securities	35,936	50,971
Purchase of transport vehicles	5,255	5,894
Purchase of landed property :	<b>1,191,766</b>	1,209,116
- Residential	<b>297,888</b>	284,130
- Non-residential	<b>893,878</b>	924,986
Purchase of fixed assets other than land and building	4,802	6,381
Personal use	333,511	339,168
Credit card	-	45
Construction	253,822	226,647
Mergers and Acquisition	345,085	-
Working capital	2,746,609	2,898,626
Other purpose	234,749	27,426
<b>Gross loans and advances</b>	<b>5,151,535</b>	<b>4,764,274</b>

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>30 September 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Up to one month	1,586,858	1,613,308
More than one month to three Months	824,965	419,298
More than three months to six months	371,923	384,050
More than six months to twelve months	233,157	73,018
More than twelve months	2,134,632	2,274,600
<b>Gross loans and advances</b>	<b>5,151,535</b>	<b>4,764,274</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 September 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
At beginning of financial period/year	43,412	16,965
Classified as impaired during the period/year	68,214	38,104
Reclassified as performing during the period/year	-	(3,413)
Amount recovered	<b>(5,882)</b>	(8,244)
At end of financial period/year	105,744	43,412
Individual assessment allowance	<b>(17,844)</b>	(7,753)
<b>Net impaired loans and advances</b>	<b>87,900</b>	<b>35,659</b>

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

**1.712%**                      **0.750%**

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**13 Loans and advances (continued)**

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

**(b) By geographical**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>105,744</b>	<b>43,412</b>

**(c) By purposes**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed property - residential	734	3,614
Purchase of landed property - non-residential	18,408	19,762
Construction	66,081	-
Personal use	1,854	1,842
Working capital	18,667	18,194
	<b>105,744</b>	<b>43,412</b>

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

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual assessment allowance</u></b>		
At beginning of the financial period/year	7,753	899
Allowance made during the financial period/year	11,765	7,090
Allowance written back during the financial period/year	(1,674)	(236)
At end of the financial period/year	<b>17,844</b>	<b>7,753</b>
<b><u>Collective assessment allowance</u></b>		
At beginning of the financial period/year	34,407	26,962
Allowance made during the financial period/year	2,386	5,925
Exchange differences	(175)	1,520
At end of the financial period/year	<b>36,618</b>	<b>34,407</b>

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**14 Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	6,396	5,566	6,193	5,332
Sundry deposits	2,586	2,485	2,192	2,091
Prepayment	1,171	495	1,114	495
Precious metal inventory	425	549	425	549
	<b>10,578</b>	<b>9,095</b>	<b>9,924</b>	<b>8,467</b>

**15 Deposits from customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,136,879	859,948	1,144,089	870,165
Savings deposits	172,266	127,337	172,266	127,337
Fixed deposits	4,129,858	4,921,562	4,129,858	4,921,562
Negotiable instruments of deposits	401,659	150,838	401,659	150,838
	<b>5,840,662</b>	<b>6,059,685</b>	<b>5,847,872</b>	<b>6,069,902</b>

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

	<b>Group and Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	3,547,687	4,398,672
Six months to one year	960,387	667,976
More than one year	23,443	5,752
	<b>4,531,517</b>	<b>5,072,400</b>

**(iii) By type of customer**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2016</b>	<b>31 December 2015</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	4,077	5,130	4,077	5,130
Business enterprises	2,229,284	2,176,056	2,236,494	2,186,273
Individuals	1,968,432	1,820,064	1,968,432	1,820,064
Others	1,638,869	2,058,435	1,638,869	2,058,435
	<b>5,840,662</b>	<b>6,059,685</b>	<b>5,847,872</b>	<b>6,069,902</b>

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

	<u>Group and Bank</u>	
	<u>30 September</u> <u>2016</u> RM'000	<u>31 December</u> <u>2015</u> RM'000
Bank Negara Malaysia	53,770	54,554
Licensed banks	1,307,170	951,102
Licensed investment banks	58	256
Licensed islamic banks	1,496	105
Other financial institutions	84	3
	<u>1,362,578</u>	<u>1,006,020</u>

**17 Other liabilities**

	<u>Group</u>		<u>Bank</u>	
	<u>30 September</u> <u>2016</u> RM'000	<u>31 December</u> <u>2015</u> RM'000	<u>30 September</u> <u>2016</u> RM'000	<u>31 December</u> <u>2015</u> RM'000
Accrued expenses	24,059	23,578	23,571	22,882
Margin deposits	196,805	55,978	196,805	55,978
Other liabilities	35,011	123,126	33,197	121,691
	<u>255,875</u>	<u>202,682</u>	<u>253,573</u>	<u>200,551</u>

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**18 Interest income**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income on non-impaired loans	<b>63,297</b>	64,099	<b>192,582</b>	186,409
- Interest income on impaired loans	<b>1,899</b>	492	<b>3,588</b>	1,196
Money at call and deposit placement with financial institutions	<b>23,007</b>	26,437	<b>66,816</b>	80,552
Securities				
- Held-to-maturity investments	<b>2,599</b>	5,113	<b>9,471</b>	14,469
	<b>90,802</b>	96,141	<b>272,457</b>	282,626
(Amortisation of premium)/ accretion of discount, net	<b>(1)</b>	(52)	<b>33</b>	(252)
Total interest income	<b>90,801</b>	96,089	<b>272,490</b>	282,374

**19 Interest Expense**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>6,541</b>	15,214	<b>27,484</b>	50,558
Deposits from customers	<b>41,480</b>	41,113	<b>119,123</b>	113,594
Others	<b>43</b>	15	<b>93</b>	40
	<b>48,064</b>	56,342	<b>146,700</b>	164,192

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**20 Other operating income**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Fees income:				
- Fee on loans and advances	<b>2,750</b>	3,319	<b>11,187</b>	9,278
- Service charges and fees	<b>8,947</b>	8,497	<b>26,842</b>	24,883
- Guarantee fees	<b>4,315</b>	3,442	<b>12,513</b>	8,431
	<b>16,012</b>	15,258	<b>50,542</b>	42,592
Fees income:				
- Commission related expenses	<b>(2,721)</b>	(2,599)	<b>(8,265)</b>	(7,816)
Net fee income	<b>13,291</b>	12,659	<b>42,277</b>	34,776
Foreign exchange income:				
- Realised	<b>5,711</b>	1,450	<b>30,591</b>	1,480
- Unrealised	<b>(5,597)</b>	2,068	<b>(5,541)</b>	3,027
Gain/(loss) on revaluation of derivatives	<b>3,657</b>	5,108	<b>(1,568)</b>	4,390
Sale of precious metal	<b>112</b>	479	<b>1,370</b>	3,302
Other income	-	29	<b>61</b>	29
Net gain on disposal of property and equipment	-	-	<b>1</b>	-
	<b>17,174</b>	21,793	<b>67,191</b>	47,004

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
Fees income:				
- Fee on loans and advances	<b>2,750</b>	3,319	<b>11,187</b>	9,278
- Service charges and fees	<b>1,011</b>	1,098	<b>3,175</b>	2,637
- Guarantee fees	<b>4,315</b>	3,442	<b>12,513</b>	8,431
	<b>8,076</b>	7,859	<b>26,875</b>	20,346
Foreign exchange income:				
- Realised	<b>5,711</b>	1,450	<b>30,591</b>	1,480
- Unrealised	<b>(5,597)</b>	2,068	<b>(5,541)</b>	3,027
Gain/(loss) on revaluation of derivatives	<b>3,657</b>	5,108	<b>(1,568)</b>	4,390
Sale of precious metal	<b>112</b>	479	<b>1,370</b>	3,302
Other income:				
- Dividend income from subsidiary	-	-	<b>11,900</b>	12,500
- Other income	<b>53</b>	79	<b>209</b>	119
	<b>12,012</b>	17,043	<b>63,836</b>	45,164



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**21 Other operating expenses**

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
<u>Personnel expenses</u>				
Salaries & wages	9,776	8,937	28,730	24,702
Bonuses	4,034	3,267	15,102	10,520
Defined contribution plan ("EPF")	1,573	1,676	4,917	4,440
Staff welfare expenses	348	540	1,586	1,375
Other personnel costs	864	1,146	2,487	3,108
	<u>16,595</u>	<u>15,566</u>	<u>52,822</u>	<u>44,145</u>
<u>Marketing expenses</u>				
Entertainment	324	252	966	1,100
Other marketing	445	416	1,021	1,301
	<u>769</u>	<u>668</u>	<u>1,987</u>	<u>2,401</u>
<u>Establishment costs</u>				
Rental of premises	1,894	1,646	5,785	4,927
Depreciation	1,132	976	3,443	2,636
Amortisation	23	24	69	70
Repairs and maintenance	144	208	515	413
Property and equipment written off	-	1	-	139
Information technology expenses	417	1,090	1,822	1,989
Other establishment costs	243	88	483	200
	<u>3,853</u>	<u>4,033</u>	<u>12,117</u>	<u>10,374</u>
<u>Administration and general expenses</u>				
Insurance premium	15	6	694	582
Auditors' remuneration				
- statutory audit fees	83	66	162	166
- regulatory related service	26	9	74	53
Travelling and accommodation	664	629	1,891	1,578
Telecommunication and utilities	276	285	777	737
Printing, stationery and postage	156	257	464	533
Legal and professional fees	601	232	1,273	1,342
Other administration and general	481	463	1,585	2,411
	<u>2,302</u>	<u>1,947</u>	<u>6,920</u>	<u>7,402</u>
<u>Other expenses</u>				
Cost of precious metal	90	420	1,156	2,803
	<u>90</u>	<u>420</u>	<u>1,156</u>	<u>2,803</u>
	<u>23,609</u>	<u>22,634</u>	<u>75,002</u>	<u>67,125</u>

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**21 Other operating expenses (continued)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Bank</b>				
<u>Personnel expenses</u>				
Salaries & wages	9,213	8,508	27,169	23,385
Bonuses	3,909	3,123	14,727	10,105
Defined contribution plan ("EPF")	1,500	1,604	4,709	4,233
Staff welfare expenses	308	483	1,426	1,226
Other personnel costs	820	1,112	2,391	3,030
	<b>15,750</b>	<b>14,830</b>	<b>50,422</b>	<b>41,979</b>
<u>Marketing expenses</u>				
Entertainment	323	252	956	1,100
Other marketing	445	416	1,021	1,301
	<b>768</b>	<b>668</b>	<b>1,977</b>	<b>2,401</b>
<u>Establishment costs</u>				
Rental of premises	1,545	1,309	4,760	3,906
Depreciation	961	805	2,929	2,118
Amortisation	23	22	69	68
Repairs and maintenance	143	206	512	411
Property and equipment written off	-	1	-	139
Information technology expenses	416	1,088	1,816	1,986
Other establishment costs	239	73	465	181
	<b>3,327</b>	<b>3,504</b>	<b>10,551</b>	<b>8,809</b>
<u>Administration and general expenses</u>				
Insurance premium	15	6	689	577
Auditors' remuneration				
- statutory audit fees	76	46	137	137
- regulatory related service	25	5	68	47
Travelling and accommodation	651	620	1,858	1,566
Telecommunication and utilities	244	258	685	674
Printing, stationery and postage	123	225	364	451
Legal and professional fees	600	233	1,272	1,341
Other administration and general	430	392	1,383	2,256
	<b>2,164</b>	<b>1,785</b>	<b>6,456</b>	<b>7,049</b>
<u>Other expenses</u>				
Cost of precious metal	90	420	1,156	2,803
	<b>90</b>	<b>420</b>	<b>1,156</b>	<b>2,803</b>
	<b>22,099</b>	<b>21,207</b>	<b>70,562</b>	<b>63,041</b>

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**22 Allowance made/(written back) for impairment on loans and advances**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for impaired loans and advances				
<u>Individual impairment allowance</u>				
- Made during the financial period	<b>4,678</b>	789	<b>11,765</b>	1,301
- Written back during the financial	<b>(223)</b>	-	<b>(1,674)</b>	(237)
	<b>4,455</b>	789	<b>10,091</b>	1,064
<u>Collective impairment allowance</u>				
- Made/(written back) during the financial period	<b>3,423</b>	(1,729)	<b>2,386</b>	3,084
	<b>3,423</b>	(1,729)	<b>2,386</b>	3,084
	<b>7,878</b>	(940)	<b>12,477</b>	4,148

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**23 Capital adequacy**

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 September</u> <u>2016</u> <u>RM'000</u>	<u>31 December</u> <u>2015</u> <u>RM'000</u>	<u>30 September</u> <u>2016</u> <u>RM'000</u>	<u>31 December</u> <u>2015</u> <u>RM'000</u>
<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>175,396</b>	175,396	<b>163,473</b>	163,473
Other reserves	<b>223,231</b>	223,231	<b>223,231</b>	223,231
Regulatory reserves	<b>22,671</b>	22,671	<b>22,671</b>	22,671
	<b>1,181,816</b>	1,181,816	<b>1,169,893</b>	1,169,893
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(2,866)</b>	(2,866)	<b>(2,783)</b>	(2,783)
- Regulatory reserve attributable to loans and advances	<b>(22,671)</b>	(22,671)	<b>(22,671)</b>	(22,671)
	<b>(25,537)</b>	(25,537)	<b>(25,454)</b>	(25,454)
Total CET1 capital / Total Tier 1 capital	<b>1,156,279</b>	1,156,279	<b>1,144,439</b>	1,144,439
<b><u>Tier-2 capital</u></b>				
Collective assessment allowance	<b>36,612</b>	34,407	<b>36,612</b>	34,407
Regulatory reserves	<b>25,647</b>	22,671	<b>25,647</b>	22,671
Less: Investment in subsidiary	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>62,259</b>	57,078	<b>61,259</b>	56,078
Total capital base	<b>1,218,538</b>	1,213,357	<b>1,205,698</b>	1,200,517
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>18.979%</b>	21.381%	<b>18.915%</b>	21.310%
Tier 1 capital ratio	<b>18.979%</b>	21.381%	<b>18.915%</b>	21.310%
Total capital ratio	<b>20.001%</b>	22.437%	<b>19.927%</b>	22.354%

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**23 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 September 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 September 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Credit risk	<b>5,647,884</b>	5,025,085	<b>5,645,029</b>	5,021,628
Market risk	<b>4,995</b>	9,179	<b>4,995</b>	9,179
Operational risk	<b>439,581</b>	373,649	<b>400,474</b>	339,583
Total risk-weighted assets	<b>6,092,460</b>	5,407,913	<b>6,050,498</b>	5,370,390

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 RM25.647 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.21% of total outstanding loans and advances. 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).

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**24 Commitments and contingencies**

	<b>Group and Bank</b>					
	<b>30 September 2016</b>			<b>31 December 2015</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>
Direct credit substitutes	<b>77,884</b>	<b>77,884</b>	<b>77,884</b>	80,517	80,517	60,507
Transaction-related contingent items	<b>2,056,080</b>	<b>1,028,040</b>	<b>986,326</b>	1,461,522	730,761	364,822
Short-term self-liquidation trade related contingencies	<b>302,158</b>	<b>60,432</b>	<b>33,813</b>	64,553	12,911	11,244
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,025,321</b>	<b>205,064</b>	<b>176,422</b>	1,028,447	205,689	185,002
- Maturity exceeding one year	<b>234,020</b>	<b>117,010</b>	<b>62,374</b>	272,277	136,139	86,398
Foreign exchange related contracts:						
- Less than one year	<b>230,795</b>	<b>3,161</b>	<b>646</b>	419,525	2,709	717
<b>Total</b>	<b>3,926,258</b>	<b>1,491,591</b>	<b>1,337,465</b>	3,326,841	1,168,726	708,690

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

**25 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 30 September 2016.

**26 Valuation of Property, Plant and Equipment**

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

**27 Events subsequent to Reporting Date**

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

**28 Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the 3rd quarter ended 30 September 2016.