

Company No.

310983	V
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**HALF-YEAR ENDED 30 JUNE 2017**

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	<u>Note</u>	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	7	1,865,019	1,646,436
Securities held-for-trading ('HFT')	8	921,530	700,330
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	284,985	330,051
Other assets	11	42,583	58,475
Derivative assets		83,430	197,164
Tax recoverable		4,579	4,971
Deferred taxation	12	280	742
Statutory deposits with Bank Negara Malaysia		7,591	7,591
Property, plant and equipment	13	2,284	2,880
<b>TOTAL ASSETS</b>		<u>3,215,276</u>	<u>2,951,635</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	17	2,477,336	2,063,593
Deposits and placements of banks and other financial institutions	18	25,442	27,628
Bills and acceptances payable		18,354	31,270
Other liabilities	19	23,335	87,501
Derivative liabilities		74,042	162,743
<b>TOTAL LIABILITIES</b>		<u>2,618,509</u>	<u>2,372,735</u>
Share capital		135,800	135,800
Reserves		460,967	443,100
<b>Shareholders' funds</b>		<u>596,767</u>	<u>578,900</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>3,215,276</u>	<u>2,951,635</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	<u>13,739,224</u>	<u>15,629,274</u>
<b>CAPITAL ADEQUACY</b>	32		
Core equity I ("CET I") capital ratio		47.345%	44.721%
Tier I capital ratio		47.345%	44.721%
Total capital ratio		<u>47.934%</u>	<u>45.210%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2017

		30 June 2017	Half-Year Ended 30 June 2016	Second-Quarter Ended 30 June 2017	30 June 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	20	50,301	32,379	26,706	16,265
Interest expense	21	(6,191)	(4,095)	(3,097)	(2,020)
		<u>44,110</u>	<u>28,284</u>	<u>23,609</u>	<u>14,245</u>
Net interest income		44,110	28,284	23,609	14,245
Other operating income	22	18,844	27,593	14,072	13,480
		<u>62,954</u>	<u>55,877</u>	<u>37,681</u>	<u>27,725</u>
Net income		62,954	55,877	37,681	27,725
Other operating expenses	23	(37,091)	(33,076)	(18,475)	(16,230)
		<u>25,863</u>	<u>22,801</u>	<u>19,206</u>	<u>11,495</u>
Profit before allowance		25,863	22,801	19,206	11,495
Allowances on impairment losses	24	(858)	46	(3,172)	51
		<u>25,005</u>	<u>22,847</u>	<u>16,034</u>	<u>11,546</u>
Profit before taxation		25,005	22,847	16,034	11,546
Taxation		(7,138)	(6,002)	(5,191)	(3,415)
		<u>17,867</u>	<u>16,845</u>	<u>10,843</u>	<u>8,131</u>
Net profit/Total comprehensive income for the period		<u>17,867</u>	<u>16,845</u>	<u>10,843</u>	<u>8,131</u>
Earnings per share (sen)					
- Basic / Diluted		<u>13.16</u>	<u>12.40</u>	<u>7.98</u>	<u>5.98</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2017

	Share capital RM'000	Non distributable			Distributable	Total RM'000
		Statutory reserves RM'000	Available- for-sale reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
At 1 January 2017	135,800	141,446	1,047	-	300,607	578,900
Total comprehensive income for the financial period	-	-	-	-	17,867	17,867
At 30 June 2017	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>-</u>	<u>318,474</u>	<u>596,767</u>
At 1 January 2016	135,800	141,446	1,047	1,337	270,034	549,664
Total comprehensive income for the financial period	-	-	-	-	16,845	16,845
Transfer to regulatory reserve	-	-	-	377	(377)	-
At 30 June 2016	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>1,714</u>	<u>286,502</u>	<u>566,509</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2017

	Half -Year Ended <u>30.06.2017</u> RM'000	Half-Year Ended <u>30.06.2016</u> RM'000
Profit before taxation	25,005	22,847
Adjustments for non-cash items	32,954	(36,613)
Operating profit before working capital changes	<u>57,959</u>	<u>(13,766)</u>
Changes in working capital:		
Net changes in operating assets	(78,753)	(730,104)
Net changes in operating liabilities	245,774	901,368
Income tax paid	(6,285)	(4,803)
Net cash generated from/(used in) operating activities	<u>218,695</u>	<u>152,695</u>
Net cash used in investing activities	(112)	(6)
Net change in cash and cash equivalents	<u>218,583</u>	<u>152,689</u>
Cash and cash equivalents at beginning of the year	1,646,436	1,411,562
Cash and cash equivalents at the end of the period	<u><u>1,865,019</u></u>	<u><u>1,564,251</u></u>

## EXPLANATORY NOTES

### 1 BASIS OF PREPARATION

The unaudited condensed interim financial statements for the second-quarter and financial half-year 30 June 2017 have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”).

The unaudited condensed interim financial statements should be read in conjunction with the Bank’s audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2016.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements.

### 2 AUDITOR’S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor’s report on the financial statements for the preceding financial year ended 31 December 2016 was not subject to any qualification.

### 3 SEASONAL OR CYCLICALITY FACTORS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

### 4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial half-year ended 30 June 2017.

### 5 CHANGES IN ESTIMATES

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial half-year ended 30 June 2017.

### 6 ISSUANCE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

There were no cancellations, repurchase, resale or repayments of debt and equity securities during the current financial half-year under review.

### 7 CASH AND SHORT-TERM FUNDS

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM’000	RM’000
Cash and balances with banks and other financial institutions	93,606	97,698
Money at call and deposit placements maturing within one month	1,771,413	1,548,738
	<u>1,865,019</u>	<u>1,646,436</u>

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8 SECURITIES HELD-FOR-TRADING ('HFT')

	30.06.2017	31.12.2016
	RM'000	RM'000
Malaysian Government Securities	744,905	665,423
Bank Negara Malaysia Bills	108,715	-
Malaysian Government Investment Issues	67,910	34,907
	921,530	297,049
	921,530	297,049

9 SECURITIES AVAILABLE-FOR-SALE ('AFS')

	30.06.2017	31.12.2016
	RM'000	RM'000
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	2,995	2,995
	2,995	2,995

10 LOANS, ADVANCES AND FINANCING

	30.06.2017	31.12.2016
	RM'000	RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	17,385	13,810
Factoring receivables	27,172	22,437
Claims on customers under acceptance credits	-	16,700
Staff loans	954	980
Revolving advances	177,304	209,999
Term loans	69,002	72,045
Mortgage loans	409	447
	292,226	336,418
Gross loans, advances and financing	292,226	336,418
Allowance for losses on loans, advances and financing:		
- Individual assessment	(36)	(35)
- Collective assessment	(7,205)	(6,332)
	(7,241)	(6,367)
Total net loans, advances and financing	284,985	330,051

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>292,226</u>	<u>336,418</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	286,697	334,140
Domestic banking institutions	3,728	-
Domestic non-banking financial institutions	439	665
Government and statutory bodies	-	186
Individuals	<u>1,362</u>	<u>1,427</u>
	<u>292,226</u>	<u>336,418</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	896	950
- Other fixed rate loans	215,213	250,172
Variable rate		
- Base rate	1,418	2,660
- Cost plus	5,697	10,591
- Other floating rate loans	<u>69,002</u>	<u>72,045</u>
	<u>292,226</u>	<u>336,418</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	9	4
Purchase of landed property (residential)	1,305	1,398
Personal use	49	25
Working capital	<u>290,863</u>	<u>334,991</u>
	<u>292,226</u>	<u>336,418</u>
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	270,681	315,906
One year to three years	20,780	19,707
Three to five years	335	353
Over five years	<u>430</u>	<u>452</u>
	<u>292,226</u>	<u>336,418</u>

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
(g) Movements in impaired loans, advances and financing:		
At 1 January	53	141
Interest income recognised during the financial period/year	2	7
Classified as impaired during the financial period/year	-	18
Amount recovered during the financial period/year	(1)	(17)
Amount written off	-	(9)
Reclassified as performing during the financial period/year	-	(87)
	54	53
Individual assessment allowance	(36)	(35)
	18	18
Net impaired loans, advances and financing		
	0.02%	0.02%
Gross impaired loans as a % of gross loans, advances and financing		
(h) Movements in allowance for impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	6,332	2,025
Allowance (written back)/made during the financial period/ year	873	4,307
	7,205	6,332
At end of financial period/ year		
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loan, advances and financing less individual assessment allowance	2.47%	1.88%
<u>Individual assessment allowance</u>		
At 1 January	35	83
Allowance made during the financial period/year	2	26
Write off made during the financial period/year	-	(7)
Write back made during the financial period/year	(1)	(67)
	36	35
At end of financial period/year		

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10	LOANS, ADVANCES AND FINANCING (CONTINUED)	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
	(i) Impaired loans, advances and financing analysed by geographical distribution:		
	Malaysia	54	53
		<u>          </u>	<u>          </u>
	(j) Impaired loans, advances and financing analysed by economic purpose:		
	Purchase of landed property (residential)	54	53
		<u>          </u>	<u>          </u>
11	OTHER ASSETS	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
	Other receivables	42,548	58,349
	Deposits	36	36
	Prepayments	-	90
		<u>          </u>	<u>          </u>
		<u>42,584</u>	<u>58,475</u>
12	DEFERRED TAXATION	<u>30.06.2017</u> RM'000	<u>31.12.2016</u> RM'000
	Deferred tax asset	733	1,545
	Deferred tax liabilities	(453)	(803)
		<u>          </u>	<u>          </u>
		<u>280</u>	<u>742</u>

EXPLANATORY NOTES

13 PRE-ACQUISITION PROFITS

There were no pre-acquisition profits reported for the financial half-year under review.

14 PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

15 PROFITS ON SALE OF INVESTMENTS/PROPERTIES

There were no material gains or loss on disposal of investments (other than in the ordinary course of business) and/or properties for the financial half-year under review.

16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities for the financial half-year under review other than those purchased or disposed in the ordinary course of business.

17 DEPOSITS FROM CUSTOMERS

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	2,386,027	1,992,939
Saving deposits	6	6
Fixed deposits	91,303	70,648
	<u>2,477,336</u>	<u>2,063,593</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	72,082	47,262
Six months to one year	16,661	22,313
One year to five years	1,507	21
More than five years	1,053	1,052
	<u>91,303</u>	<u>70,648</u>
(c) By type of customers:		
Business enterprises	2,475,238	2,062,166
Individuals	52	53
Others	2,046	1,374
	<u>2,477,336</u>	<u>2,063,593</u>

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EXPLANATORY NOTES

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Licensed banks	25,388	27,574
Other financial institutions	54	54
	25,442	27,628

19 OTHER LIABILITIES

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Deferred income on loans, advances and financing	308	474
Other payables	18,481	79,228
Accruals	4,546	7,799
	23,335	87,501

20 INTEREST INCOME

	<u>Half-Year Ended</u>		<u>Second-Quarter Ended</u>	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	5,314	4,804	2,697	2,587
Money at call and deposit placements with banks and other financial institutions	22,473	16,306	12,409	7,736
Securities held-for-trading	22,514	11,233	11,601	5,948
Others	-	36	(1)	(6)
	50,301	32,379	26,706	16,265

21 INTEREST EXPENSE

	<u>Half-Year Ended</u>		<u>Second-Quarter Ended</u>	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
Deposits and placement of bank and other financial institutions	806	468	237	240
Deposits from customers	5,261	3,627	2,739	1,780
Others	124	-	121	-
	6,191	4,095	3,097	2,020

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EXPLANATORY NOTES

22 OTHER OPERATING INCOME

	Half-Year Ended		Second-Quarter Ended	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	180	189	88	74
Service charges/fees	2,649	2,555	1,252	1,281
Guarantee fees	469	656	212	136
Management fee income	1,534	1,020	923	507
Other fee income	2,520	1,638	1,248	1,303
	<u>7,352</u>	<u>6,058</u>	<u>3,723</u>	<u>3,301</u>
<u>Gains/(losses) from securities held-for-trading</u>				
Net gain from sale	5,430	6,347	3,528	1,898
Unrealised revaluation gain/(loss)	(2,272)	801	1,692	1,258
<u>Unrealised gains/(losses) on revaluation of derivative instruments</u>				
Foreign exchange forwards and swaps	(30,534)	73,729	(27,065)	31,478
Interest rate and cross currency swaps	1,434	(36,369)	3,098	(1,696)
<u>Realised gains/(losses) on derivative instruments</u>				
Interest rate and cross currency swaps	(2,025)	32,479	(3,733)	777
<u>Other (losses)/income</u>				
Realised foreign exchange loss	39,436	(55,611)	32,806	(23,553)
Others	23	159	23	17
	<u>18,844</u>	<u>27,593</u>	<u>14,072</u>	<u>13,480</u>

23 OTHER OPERATING EXPENSES

	Half-Year Ended		Second-Quarter Ended	
	<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	RM'000	RM'000	RM'000	RM'000
Personnel costs	15,667	14,705	6,455	6,446
Establishment costs	3,388	4,339	2,094	2,508
Marketing expenses	153	189	85	130
Administration and general expenses	17,883	13,843	9,842	7,146
	<u>37,091</u>	<u>33,076</u>	<u>18,476</u>	<u>16,230</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	707	1,447	333	680
Pension cost – defined contribution plan – EPF	2,940	2,348	672	632
Communication expenses	854	795	390	293
Shared administrative support expenses	15,075	9,711	8,194	4,818
	<u>18,576</u>	<u>13,291</u>	<u>9,589</u>	<u>6,423</u>

EXPLANATORY NOTES

24	ALLOWANCES ON IMPAIRMENT LOSSES (MADE) / WRITTEN BACK	Half-Year Ended	Second-Quarter Ended	
		<u>30 June 2017</u>	<u>30 June 2016</u>	<u>30 June 2017</u>
		RM'000	RM'000	<u>30 June 2016</u>
				RM'000
	Allowance for loans, advances and financing:			
	Individual assessment allowance			
	- written back during the financial period	-	(53)	-
	Collective assessment allowance			
	- made during the financial period	874	38	-
	- written back during the financial period	-	-	3,181
	Bad debts on loans, advances and financing:			
	- recovered	(16)	(31)	(9)
		<u>858</u>	<u>(46)</u>	<u>3,172</u>
		<u><u>858</u></u>	<u><u>(46)</u></u>	<u><u>3,172</u></u>
25	SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD			
	There were no significant events during the financial half-year that have not been disclosed in these condensed interim financial statements.			
26	SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE			
	There were no significant events subsequent to the balance sheet date which have not been disclosed in these condensed interim financial statements.			
27	CHANGES IN COMPOSITION OF THE BANK			
	There were no significant changes in the composition of the Bank for the financial half-year ended 30 June 2017.			
28	SEGMENTAL REPORTING ON REVENUE, PROFIT AND ASSETS			
	Segmental reporting has not been prepared as there are no other segments other than the commercial banking segment.			
29	There are no material changes in the profit before taxation for the financial half-year reported as compared with the preceding financial half-year, which have not been disclosed in these condensed interim financial statement.			
30	There were no dividends paid or declared for the financial half-year ended 30 June 2017.			

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS

A Interest rate risk

The tables below summarise the Bank's exposure to interest rate risks. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

<u>30.06.2017</u>	<u>Up to 1 month RM'000</u>	<u>&gt;1 - 3 months RM'000</u>	<u>&gt;3 - 12 months RM'000</u>	<u>&gt;1 - 5 years RM'000</u>	<u>Over 5 years RM'000</u>	<u>Non- interest bearing RM'000</u>	<u>Trading book RM'000</u>	<u>Total RM'000</u>
<u>Assets</u>								
Cash and short-term funds	1,771,413	-	-	-	-	93,606	-	1,865,019
Securities held-for-trading ('HFT')	-	-	-	-	-	-	921,530	921,530
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	-	17,827	252,855	21,114	430	(7,241) <sup>^</sup>	-	284,985
Other assets	-	-	-	-	-	(9,951)	52,534	42,583
Derivative assets	-	-	-	-	-	-	83,430	83,430
Tax recoverable	-	-	-	-	-	4,579	-	4,579
Deferred taxation	-	-	-	-	-	280	-	280
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	2,284	-	2,284
<b>Total assets</b>	<b>1,771,413</b>	<b>17,827</b>	<b>252,855</b>	<b>21,114</b>	<b>430</b>	<b>94,143</b>	<b>1,057,494</b>	<b>3,215,276</b>

<sup>^</sup> The negative balance represents individual assessment allowance and collective assessment allowance for loans, advances and financing in accordance with the Bank's accounting policy on allowance for losses on loans, advances and financing.

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>30.06.2017</u>	<u>Up to 1 month</u> RM'000	<u>&gt;1 - 3 months</u> RM'000	<u>&gt;3 - 12 months</u> RM'000	<u>&gt;1 - 5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Non- interest bearing</u> RM'000	<u>Trading book</u> RM'000	<u>Total</u> RM'000
<u>Liabilities</u>								
Deposits from customers	451,488	11,581	12,357	1,053	-	2,000,857	-	2,477,336
Deposits and placements of banks and other financial institutions	54	-	-	-	-	25,371	-	25,425
Bills and acceptances payable	-	-	-	-	-	18,354	-	18,354
Other liabilities	-	-	-	-	-	(5,207)	28,542	23,335
Derivative liabilities	-	-	-	-	-	-	74,042	74,042
Total liabilities	<u>451,542</u>	<u>11,581</u>	<u>12,357</u>	<u>1,053</u>	<u>-</u>	<u>2,039,375</u>	<u>102,584</u>	<u>2,618,492</u>
On-balance sheet - interest rate gap	<u>1,319,871</u>	<u>6,246</u>	<u>240,498</u>	<u>20,061</u>	<u>430</u>			

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2016</u>	Up to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 12 <u>months</u> RM'000	>1 - 5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	Non- interest <u>bearing</u> RM'000	Trading <u>book</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>								
Cash and short-term funds	1,548,738	-	-	-	-	97,698	-	1,646,436
Deposits and placements with banks	-	-	-	-	-	-	-	-
Securities held-for-trading ('HFT')	-	-	-	-	-	-	700,330	700,330
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	137,733	175,280	2,894	20,060	451	(6,367) <sup>^</sup>	-	330,051
Other assets	-	-	-	-	-	12,618	45,857	58,475
Derivative assets	-	-	-	-	-	-	197,164	197,164
Tax recoverable	-	-	-	-	-	4,971	-	4,971
Deferred tax assets	-	-	-	-	-	742	-	742
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	2,880	-	2,880
<b>Total assets</b>	<b>1,686,471</b>	<b>175,280</b>	<b>2,894</b>	<b>20,060</b>	<b>451</b>	<b>123,128</b>	<b>943,351</b>	<b>2,951,635</b>

<sup>^</sup> The negative balance represents individual assessment allowance and collective assessment allowance for loans, advances and financing in accordance with the Bank's accounting policy on allowance for losses on loans, advances and financing.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2016</u>	<u>Up to 1 month RM'000</u>	<u>&gt;1 - 3 months RM'000</u>	<u>&gt;3 - 12 months RM'000</u>	<u>&gt;1 - 5 years RM'000</u>	<u>Over 5 years RM'000</u>	<u>Non- interest bearing RM'000</u>	<u>Trading book RM'000</u>	<u>Total RM'000</u>
<u>Liabilities</u>								
Deposits from customers	291,278	4,130	18,188	1,052	-	1,748,945	-	2,063,593
Deposits and placements of banks and other financial institutions	54	9,005	-	-	-	18,569	-	27,628
Bills and acceptances payable	-	-	-	-	-	31,270	-	31,270
Other liabilities	-	-	-	-	-	27,391	60,110	87,501
Derivative liabilities	-	-	-	-	-	-	162,743	162,743
<b>Total liabilities</b>	<b>291,332</b>	<b>13,135</b>	<b>18,188</b>	<b>1,052</b>	<b>-</b>	<b>1,826,175</b>	<b>222,853</b>	<b>2,372,735</b>
 On-balance sheet - interest rate gap	 <b>1,395,139</b>	 <b>162,145</b>	 <b>(15,294)</b>	 <b>19,008</b>	 <b>451</b>			

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

The tables below summarises the effective average interest rates by major currencies for each class of financial asset and financial liability:

	30.06.2017	
	MYR	USD
	%	%
<u>Financial assets</u>		
Cash and short-term funds	2.87	1.05
Securities held-for-trading ('HFT')	3.75	-
Loans, advances and financing	4.2	2.77
	2.87	1.05
<u>Financial liabilities</u>		
Deposits from customers	2.60	-
Deposits and placements of banks and other financial institutions	1.50	-
	2.60	-
31.12.2016		
	MYR	USD
	%	%
<u>Financial assets</u>		
Cash and short-term funds	3.00	0.59
Securities held-for-trading ('HFT')	3.81	-
Loans, advances and financing	4.04	2.30
	3.00	0.59
<u>Financial liabilities</u>		
Deposits from customers	1.96	0.05
Deposits and placements of banks and other financial institutions	1.50	0.77
	1.96	0.05

B Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. The market risk numbers as at 30 June 2017 are reflected in Note 32 on Capital Adequacy.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. The credit risk numbers as at 30 June 2017 are reflected in Note 32 on Capital Adequacy. The credit risk amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rate or prices.

D Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan draw downs. Exposure to liquidity risk is reduced through constant monitoring of liquidity risk profile with maturity mismatch reports.

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table below sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

<u>30.06.2017</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>							
Cash and short-term funds	1,427,713	380,514	3,220	651	3,219	49,702	1,865,019
Securities held-for-trading ('HFT')	921,530	-	-	-	-	-	921,530
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing <sup>^</sup>	165,908	119,077	-	-	-	-	284,985
Other assets*	3,988	38,560	-	-	-	-	42,548
Derivative assets	83,430	-	-	-	-	-	83,430
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>2,613,155</u>	<u>538,151</u>	<u>3,220</u>	<u>651</u>	<u>3,219</u>	<u>49,702</u>	<u>3,208,098</u>

<sup>^</sup> This represents outstanding loans, advances and financing after deducting individual assessment allowance and collective assessment allowance.

\* This represents other receivables.

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>30.06.2017</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Liabilities</u>							
Deposits from customers	1,209,775	1,220,525	2,427	2	2,516	42,090	2,477,335
Deposits and placements of banks and other financial institutions	25,426	16	-	-	-	-	25,442
Bills and acceptances payable	11,943	6,412	-	-	-	-	18,355
Other liabilities <sup>@</sup>	7,171	8,915	3	31	-	2,361	18,481
Derivative liabilities	74,042	-	-	-	-	-	74,042
	<u>1,328,357</u>	<u>1,235,868</u>	<u>2,430</u>	<u>33</u>	<u>2,516</u>	<u>44,451</u>	<u>2,613,655</u>
 Currency gap	 <u>1,284,798</u>	 <u>(695,717)</u>	 <u>790</u>	 <u>618</u>	 <u>703</u>	 <u>5,251</u>	

<sup>@</sup> This represents other payables.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2016</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>							
Cash and short-term funds	1,212,698	392,246	3,774	322	3,938	33,458	1,646,436
Securities held-for-trading ('HFT')	700,330	-	-	-	-	-	700,330
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing <sup>^</sup>	173,347	156,704	-	-	-	-	330,051
Other assets*	1,974	56,374	1	-	-	-	58,349
Derivative assets	197,164	-	-	-	-	-	197,164
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>2,296,099</u>	<u>605,324</u>	<u>3,775</u>	<u>322</u>	<u>3,938</u>	<u>33,458</u>	<u>2,942,916</u>

<sup>^</sup> This represents outstanding loans, advances and financing after deducting individual assessment allowance and collective assessment allowance.

\* This represents other receivables.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2016</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Liabilities</u>							
Deposits from customers	996,648	1,040,310	3,490	4	2,941	20,200	2,063,593
Deposits and placements of banks and other financial institutions	18,623	9,005	-	-	-	-	27,628
Bills and acceptances payable	20,774	10,496	-	-	-	-	31,270
Other liabilities <sup>@</sup>	7,992	64,127	-	21	32	7,056	79,228
Derivative liabilities	162,743	-	-	-	-	-	162,743
	<u>1,206,780</u>	<u>1,123,938</u>	<u>3,490</u>	<u>25</u>	<u>2,973</u>	<u>27,256</u>	<u>2,364,462</u>
 Currency gap	 <u>1,089,319</u>	 <u>(518,614)</u>	 <u>285</u>	 <u>297</u>	 <u>965</u>	 <u>6,202</u>	

<sup>@</sup> This represents other payables.

EXPLANATORY NOTES

32 CAPITAL ADEQUACY

The component of Tier I and Tier II capital are as follows:

	<u>30.06.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Audited and approved retained profits	300,607	300,607
Other disclosed reserves		
- Statutory reserve fund	141,446	141,446
- Unrealised gains and losses on available-for-sale financial instruments	1,047	1,047
	<u>578,900</u>	<u>578,900</u>
Less: regulatory adjustments		
- Deferred tax assets	(280)	(742)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
Total CET I and Tier I capital	<u>578,044</u>	<u>577,582</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	7,196	6,326
Regulatory reserve	-	-
Total Tier II capital	<u>7,196</u>	<u>6,326</u>
Total capital	<u><u>585,240</u></u>	<u><u>583,908</u></u>

\* Excludes collective assessment allowance on impaired loans, advances and financing restricted from Tier II Capital of the Bank of RM9,053 (31.12.2016: RM5,964).

Capital ratios

CET I capital ratio	47.345%	44.721%
Tier I capital ratio	47.345%	44.721%
Total capital ratio	<u><u>47.934%</u></u>	<u><u>45.210%</u></u>

The total capital and capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel-II Risk-Weighted Assets) guidelines issued on 13 October 2015 and 1 August 2016 respectively. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

EXPLANATORY NOTES

32 CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets in the various categories of risk-weights:

		<u>30.06.2017</u>		<u>31.12.2016</u>	
		<u>Principal</u>	<u>Risk-weighted</u>	<u>Principal</u>	<u>Risk-weighted</u>
		RM'000	RM'000	RM'000	RM'000
(i)	Credit Risk				
	0%	1,718,934	-	1,539,407	-
	20%	251,349	50,270	217,293	43,459
	35%	247	86	193	68
	50%	151,341	75,671	203,020	101,510
	75%	76	57	120	90
	100%	507,988	507,988	585,577	585,577
		<u>2,629,935</u>	<u>634,072</u>	<u>2,545,610</u>	<u>730,704</u>
(ii)	Market Risk	-	387,680	-	375,810
(iii)	Operational Risk	-	199,178	-	185,024
		<u>2,629,935</u>	<u>1,220,930</u>	<u>2,545,610</u>	<u>1,291,538</u>

EXPLANATORY NOTES

33 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitment and contingencies are as follows:

30.06.2017 <u>Description</u>	<u>Principal amount</u> RM'000	Positive fair value of <u>derivative contracts</u> RM'000	Credit equivalent <u>amount*</u> RM'000	Risk weighted <u>assets</u> RM'000
Direct credit substitutes	78,435	-	78,434	72,466
Transaction related contingent items	50,345	-	25,172	20,746
Short term self liquidating trade related Contingencies	6,799	-	1,360	1,360
Foreign exchange related contracts				
One year or less	4,392,921	47,946	104,749	66,114
Over one year to five years	83,340	11	2,560	1,757
Interest/profit related contracts				
One year or less	1,533,330	(128)	1,686	928
Over one year to five years	6,951,400	6,797	88,512	37,320
Over five years	187,500	118	10,459	5,041
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	453,878	-	90,776	90,776
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5	-	3	1
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,271	-	-	-
<b>Total</b>	<u>13,739,224</u>	<u>54,744</u>	<u>403,711</u>	<u>296,509</u>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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33 COMMITMENTS AND CONTINGENCIES (CONTINUED)

31.12.2016 <u>Description</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted assets</u> RM'000
Direct credit substitutes	75,500	-	75,498	70,666
Transaction related contingent items	50,387	-	25,194	19,783
Short term self liquidating trade related contingencies	3,318	-	664	664
Foreign exchange related contracts				
One year or less	5,905,834	117,109	179,111	112,589
Over one year to five years	-	-	-	-
Interest/profit related contracts				
One year or less	1,841,467	(261)	1,668	821
Over one year to five years	7,075,000	9,855	93,754	35,752
Over five years	187,500	913	13,189	6,344
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	488,994	-	97,799	97,799
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3	-	2	1
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,271	-	-	-
<b>Total</b>	<b>15,629,274</b>	<b>127,616</b>	<b>486,879</b>	<b>344,419</b>

\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 30 June 2017, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the half-year ended on that date had been prepared from the Bank's accounting and other records and nothing has come to our attention that causes us to believe that the condensed interim financial statements are not presented fairly in all material aspects in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities and Bank Negara Malaysia Guidelines.

For and on behalf of,  
Bank of America Malaysia Berhad



Chief Financial Officer  
Clifford Anthony Clement