

Company No.

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

CONDENSED INTERIM FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2017

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	<u>Note</u>	<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
ASSETS			
Cash and short-term funds	7	2,148,467	1,646,436
Securities held-for-trading ('HFT')	8	1,626,317	700,330
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	326,705	330,051
Other assets	11	57,687	58,475
Derivative assets		150,831	197,164
Tax recoverable		6,849	4,971
Deferred taxation	12	316	742
Statutory deposits with Bank Negara Malaysia		7,591	7,591
Property, plant and equipment	13	2,610	2,880
TOTAL ASSETS		<u>4,330,368</u>	<u>2,951,635</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	3,013,902	2,063,593
Deposits and placements of banks and other financial institutions	18	510,681	27,628
Bills and acceptances payable		25,993	31,270
Other liabilities	19	75,062	87,501
Derivative liabilities		118,805	162,743
TOTAL LIABILITIES		<u>3,744,443</u>	<u>2,372,735</u>
Share capital		135,800	135,800
Reserves		450,125	443,100
Shareholders' funds		<u>585,925</u>	<u>578,900</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>4,330,368</u>	<u>2,951,635</u>
COMMITMENTS AND CONTINGENCIES	33	<u>14,949,440</u>	<u>15,629,274</u>
CAPITAL ADEQUACY	32		
Core equity I ("CET I") capital ratio		36.120%	44.721%
Tier I capital ratio		36.120%	44.721%
Total capital ratio		<u>36.371%</u>	<u>45.210%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2017

	<u>Note</u>	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Interest income	20	23,595	16,114
Interest expense	21	(3,094)	(2,075)
		<hr/>	<hr/>
Net interest income		20,501	14,039
Other operating income	22	4,772	14,113
		<hr/>	<hr/>
Net income		25,273	28,152
Other operating expenses	23	(18,615)	(16,846)
		<hr/>	<hr/>
Profit before allowance		6,658	11,306
Allowances on impairment losses written back/(made)	24	2,314	(5)
		<hr/>	<hr/>
Profit before taxation		8,972	11,301
Taxation		(1,947)	(2,587)
		<hr/>	<hr/>
Profit/Total comprehensive income for the financial period		<u>7,025</u>	<u>8,714</u>
Earnings per share (sen)			
- Basic / Diluted		<u>5.17</u>	<u>6.42</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 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	-	-	-	-	7,025	7,025
At 31 March 2017	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>-</u>	<u>307,632</u>	<u>585,925</u>
At 1 January 2016	135,800	141,446	1,047	1,337	270,034	549,664
Total comprehensive income for the financial period	-	-	-	-	8,714	8,714
Transfer to regulatory reserve	-	-	-	302	(302)	-
At 31 March 2016	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>1,639</u>	<u>278,446</u>	<u>558,378</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2017

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Profit before taxation	8,972	11,301
Adjustments for non-cash items	7,165	(6,203)
Operating profit before working capital changes	<u>16,137</u>	<u>5,098</u>
Changes in working capital:		
Net changes in operating assets	(882,311)	57,560
Net changes in operating liabilities	1,371,708	(283,074)
Income tax paid	(3,399)	(1,921)
Net cash generated from/(used in) operating activities	<u>502,135</u>	<u>(222,337)</u>
Net cash used in investing activities	(104)	(5)
Net change in cash and cash equivalents	<u>502,031</u>	<u>(222,342)</u>
Cash and cash equivalents at beginning of the year	<u>1,646,436</u>	<u>1,411,562</u>
Cash and cash equivalents at the end of the period	<u><u>2,148,467</u></u>	<u><u>1,189,220</u></u>

EXPLANATORY NOTES

1 BASIS OF PREPARATION

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 first quarter ended 31 March 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 first quarter ended 31 March 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 first quarter under review.

7 CASH AND SHORT-TERM FUNDS

	<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
Cash and balances with banks and other financial institutions	72,850	97,698
Money at call and deposit placements maturing within one month	<u>2,075,617</u>	<u>1,548,738</u>
	<u>2,148,467</u>	<u>1,646,436</u>

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EXPLANATORY NOTES

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

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Malaysian Government Securities	1,140,243	665,423
Bank Negara Malaysia Bills	468,344	-
Malaysian Government Investment Issues	17,730	34,907
	<u>1,626,317</u>	<u>700,330</u>

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

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>2,995</u>	<u>2,995</u>

10 LOANS, ADVANCES AND FINANCING

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	11,118	13,810
Factoring receivables	31,634	22,437
Claims on customers under acceptance credits	-	16,700
Staff loans	955	980
Revolving advances	215,594	209,999
Term loans	71,040	72,045
Mortgage loans	424	447
Gross loans, advances and financing	<u>330,765</u>	<u>336,418</u>
Allowance for losses on loans, advances and financing:		
- Individual assessment	(35)	(35)
- Collective assessment	(4,025)	(6,332)
Total net loans, advances and financing	<u>326,705</u>	<u>330,051</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	330,765	336,418
	<u>330,765</u>	<u>336,418</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	322,445	334,140
Domestic banking institutions	6,199	-
Domestic non-banking financial institutions	553	665
Government and statutory bodies	189	186
Individuals	1,379	1,427
	<u>330,765</u>	<u>336,418</u>
	<u>330,765</u>	<u>336,418</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	925	950
- Other fixed rate loans	255,153	250,172
Variable rate		
- Base rate	838	2,660
- Cost plus	2,809	10,591
- Other floating rate loans	71,040	72,045
	<u>330,765</u>	<u>336,418</u>
	<u>330,765</u>	<u>336,418</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	10	4
Purchase of landed property (residential)	1,349	1,398
Personal use	20	25
Working capital	329,386	334,991
	<u>330,765</u>	<u>336,418</u>
	<u>330,765</u>	<u>336,418</u>
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	308,308	315,906
One year to three years	21,221	19,707
Three to five years	346	353
Over five years	890	452
	<u>330,765</u>	<u>336,418</u>
	<u>330,765</u>	<u>336,418</u>

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2017</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	1	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)
	53	53
Individual assessment allowance	(35)	(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	(2,307)	4,307
	4,025	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	1.22%	1.88%
<u>Individual assessment allowance</u>		
At 1 January	35	83
Allowance made during the financial period/year	1	26
Write off made during the financial period/year	-	(7)
Write back made during the financial period/year	(1)	(67)
	35	35
At end of financial period/year		

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

		<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
(i)	Impaired loans, advances and financing analysed by geographical distribution:		
	Malaysia	53	53
		<u>53</u>	<u>53</u>
(j)	Impaired loans, advances and financing analysed by economic purpose:		
	Purchase of landed property (residential)	53	53
		<u>53</u>	<u>53</u>

11 OTHER ASSETS

		<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
	Other receivables	57,619	58,349
	Deposits	36	36
	Prepayments	32	90
		<u>57,687</u>	<u>58,475</u>

12 DEFERRED TAXATION

		<u>31.03.2017</u> RM'000	<u>31.12.2016</u> RM'000
	Deferred tax asset	814	1,545
	Deferred tax liabilities	(498)	(803)
		<u>316</u>	<u>742</u>

13 PRE-ACQUISITION PROFITS

There were no pre-acquisition profits reported for the financial first quarter 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.

EXPLANATORY NOTES

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 first quarter under review.

16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

17 DEPOSITS FROM CUSTOMERS

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	2,946,764	1,992,939
Saving deposits	6	6
Fixed deposits	67,132	70,648
	<u>3,013,902</u>	<u>2,063,593</u>
	<u>3,013,902</u>	<u>2,063,593</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	43,300	47,262
Six months to one year	22,780	22,313
One year to five years	-	21
More than five years	1,052	1,052
	<u>67,132</u>	<u>70,648</u>
	<u>67,132</u>	<u>70,648</u>
(c) By type of customers:		
Business enterprises	3,012,506	2,062,166
Individuals	45	53
Others	1,351	1,374
	<u>3,013,902</u>	<u>2,063,593</u>
	<u>3,013,902</u>	<u>2,063,593</u>

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Licensed banks	510,627	27,574
Other financial institutions	54	54
	<u>510,681</u>	<u>27,628</u>
	<u>510,681</u>	<u>27,628</u>

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EXPLANATORY NOTES

19 OTHER LIABILITIES

	<u>31.03.2017</u>	<u>31.12.2016</u>
	RM'000	RM'000
Deferred income on loans, advances and financing	375	474
Other payables	70,612	79,228
Accruals	4,075	7,799
	75,062	87,501

20 INTEREST INCOME

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Loans, advances and financing	2,617	2,217
Money at call and deposit placements with banks and other financial institutions	10,064	8,570
Securities held-for-trading	10,913	5,285
Others	1	42
	23,595	16,114

21 INTEREST EXPENSE

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Deposits and placement of bank and other financial institutions	569	228
Deposits from customers	2,522	1,847
Others	3	-
	3,094	2,075

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EXPLANATORY NOTES

22 OTHER OPERATING INCOME

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
<u>Fee income</u>		
Commission	92	115
Service charges/fees	1,397	1,274
Guarantee fees	257	520
Management fee income	611	513
Other fee income	1,272	335
	<u>3,629</u>	<u>2,757</u>
 <u>(Losses)/Gains from securities held-for-trading</u>		
Net gains from sale	1,902	4,449
Unrealised revaluation losses	(3,964)	(457)
	<u>(2,062)</u>	<u>3,992</u>
 <u>Gains on foreign exchange forwards and swaps</u>		
Unrealised revaluation (losses)/gains	(3,469)	42,251
Realised foreign exchange gains/(losses)	6,630	(32,058)
	<u>3,161</u>	<u>10,193</u>
 <u>Gains/(Losses) on interest rate and cross currency swaps</u>		
Unrealised revaluation losses	(1,664)	(34,673)
Realised gains	1,708	31,702
	<u>44</u>	<u>(2,971)</u>
 <u>Other income</u>		
Others	-	142
	<u>4,772</u>	<u>14,113</u>

EXPLANATORY NOTES

23 OTHER OPERATING EXPENSES

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Personnel costs	9,212	8,259
Establishment costs	1,294	1,831
Marketing expenses	68	59
Administration and general expenses	8,041	6,697
	<u>18,615</u>	<u>16,846</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	374	767
Pension – cost – defined contribution plan – EPF	2,268	1,716
Communication expenses	464	502
Shared administrative support expenses	6,881	4,893
	<u>6,881</u>	<u>4,893</u>

24 ALLOWANCES ON IMPAIRMENT LOSSES (MADE) / WRITTEN BACK

	Current financial first quarter ended <u>31.03.2017</u> RM'000	Preceding financial first quarter ended <u>31.03.2016</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- made during the financial period	(1)	-
- written back during the financial period	1	5
Collective assessment allowance		
- written back/(made) during the financial period	2,307	(40)
Bad debts on loans, advances and financing:		
- recovered	7	30
	<u>2,314</u>	<u>(5)</u>

25 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the financial first quarter 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.

EXPLANATORY NOTES

27 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial first quarter ended 31 March 2017 which have not been disclosed in the audited financial statements for the financial year ended 31 December 2016.

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 first quarter reported as compared with the preceding financial first quarter, which have not been disclosed in these condensed interim financial statement.

30 There were no dividends paid or declared for the financial first quarter ended 31 March 2017.

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.

31.03.2017

Assets

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
Cash and short-term funds	2,075,617	-	-	-	-	72,850	-	2,148,467
Securities held-for-trading ("HFT")	-	-	-	-	-	-	1,626,317	1,626,317
Securities available-for-sale ("AFS")	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	118,672	179,648	9,989	21,566	890	(4,060) [^]	-	326,705
Other assets	-	-	-	-	-	10,393	47,294	57,687
Derivative assets	-	-	-	-	-	-	150,831	150,831
Tax recoverable	-	-	-	-	-	6,849	-	6,849
Deferred taxation	-	-	-	-	-	316	-	316
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	2,610	-	2,610
Total assets	2,194,289	179,648	9,989	21,566	890	99,544	1,824,442	4,330,368

[^] 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.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

31.03.2017

Liabilities

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
Deposits from customers	324,948	5,658	16,173	1,052	-	2,666,071	-	3,013,902
Deposits and placements of banks and other financial institutions	54	-	486,445	-	-	24,182	-	510,681
Bills and acceptances payable	-	-	-	-	-	25,993	-	25,993
Other liabilities	-	-	-	-	-	16,585	58,477	75,062
Derivative liabilities	-	-	-	-	-	-	118,805	118,805
Total liabilities	325,002	5,658	502,618	1,052	-	2,732,831	177,282	3,744,443
On-balance sheet - interest rate gap	1,869,287	173,990	(492,629)	20,514	890	-	-	-

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

31.12.2016	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total 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) [^]	-	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
Total assets	1,686,471	175,280	2,894	20,060	451	123,128	943,351	2,951,635

[^] 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.

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>>1 - 3 months RM'000</u>	<u>>3 - 12 months RM'000</u>	<u>>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
<u>Total liabilities</u>	<u>291,332</u>	<u>13,135</u>	<u>18,188</u>	<u>1,052</u>	<u>-</u>	<u>1,826,175</u>	<u>222,853</u>	<u>2,372,735</u>
On-balance sheet - interest rate gap	<u>1,395,139</u>	<u>162,145</u>	<u>(15,294)</u>	<u>19,008</u>	<u>451</u>			

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:

	31.03.2017	
	MYR	USD
	%	%
<u>Financial assets</u>		
Cash and short-term funds	3.00	1.04
Securities held-for-trading ('HFT')	3.75	-
Loans, advances and financing	4.09	2.46
	3.00	1.04
<u>Financial liabilities</u>		
Deposits from customers	2.31	-
Deposits and placements of banks and other financial institutions	1.50	0.98
	2.31	0.98
	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	0.77

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 31 March 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 31 March 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.

EXPLANATORY NOTES

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>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>31.03.2017</u>							
<u>Assets</u>							
Cash and short-term funds	1,096,558	1,008,632	3,187	119	2,210	37,761	2,148,467
Securities held-for-trading ("HFT")	1,626,317	-	-	-	-	-	1,626,317
Securities available-for-sale ("AFS")	2,995	-	-	-	-	-	2,995
Loans, advances and financing [^]	176,030	150,675	-	-	-	-	326,705
Other assets*	2,584	48,079	332	-	915	5,709	57,619
Derivative assets	150,831	-	-	-	-	-	150,831
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>3,062,906</u>	<u>1,207,386</u>	<u>3,519</u>	<u>119</u>	<u>3,125</u>	<u>43,470</u>	<u>4,320,525</u>

[^] This represents outstanding loans, advances and financing after deducting individual assessment allowance and collective assessment allowance.

* This represents other receivables.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

31.03.2017	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Liabilities</u>							
Deposits from customers	966,596	2,007,343	2,969	2	2,665	34,327	3,013,902
Deposits and placements of banks and other financial institutions	24,236	486,445	-	-	-	-	510,681
Bills and acceptances payable	16,148	9,845	-	-	-	-	25,993
Other liabilities [@]	10,125	60,362	-	23	34	68	70,612
Derivative liabilities	118,805	-	-	-	-	-	118,805
	<u>1,135,910</u>	<u>2,563,995</u>	<u>2,969</u>	<u>25</u>	<u>2,699</u>	<u>34,395</u>	<u>3,739,993</u>
Currency gap	<u>1,926,996</u>	<u>(1,356,609)</u>	<u>550</u>	<u>94</u>	<u>426</u>	<u>9,075</u>	

[@] This represents other payables.

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 [^]	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>

[^] This represents outstanding loans, advances and financing after deducting individual assessment allowance and collective assessment allowance.

^{*} This represents other receivables.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

31.12.2016

Liabilities

	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
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 [@]	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>	
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[@] This represents other payables.

EXPLANATORY NOTES

32 CAPITAL ADEQUACY

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

	<u>31.03.2017</u> RM'000	<u>31.12.2016</u> 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	(316)	(742)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
	<u>578,008</u>	<u>577,582</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	4,016	6,326
Regulatory reserve	-	-
	<u>4,016</u>	<u>6,326</u>
Total Tier II capital	<u>4,016</u>	<u>6,326</u>
Total capital	<u><u>582,024</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 RM8,686 (31.12.2016: RM5,964).

Capital ratios

CET I capital ratio	36.120%	44.721%
Tier I capital ratio	36.120%	44.721%
Total capital ratio	<u><u>36.371%</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:

		31.03.2017		31.12.2016	
		<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%	1,553,300	-	1,539,407	-
	20%	710,179	142,036	217,293	43,459
	35%	243	85	193	68
	50%	200,580	100,290	203,020	101,510
	75%	97	73	120	90
	100%	551,567	551,567	585,577	585,577
		<u>3,015,966</u>	<u>794,051</u>	<u>2,545,610</u>	<u>730,704</u>
(ii)	Market Risk	-	618,529	-	375,810
(iii)	Operational Risk	-	187,665	-	185,024
		<u>3,015,966</u>	<u>1,600,245</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:

31.03.2017 <u>Description</u>	<u>Principal amount</u> RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted assets RM'000
Direct credit substitutes	74,623	-	74,623	69,821
Transaction related contingent items	53,519	-	26,760	21,743
Short term self liquidating trade related Contingencies	5,661	-	1,132	1,132
Foreign exchange related contracts				
One year or less	5,247,614	99,819	156,972	94,816
Over one year to five years	-	-	-	-
Interest/profit related contracts				
One year or less	1,726,521	(18)	2,063	1,136
Over one year to five years	7,230,847	7,990	101,971	40,574
Over five years	187,500	747	12,137	5,804
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	421,881	-	84,376	84,376
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6	-	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	1,268	-	-	-
Total	14,949,440	108,538	460,037	319,403

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

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EXPLANATORY NOTES

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	-	-	-
Total	<u>15,629,274</u>	<u>127,616</u>	<u>486,879</u>	<u>344,419</u>

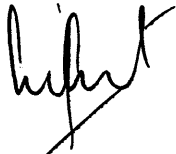
* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 31 March 2017, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the first quarter 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