

Company No.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**THIRD QUARTER ENDED 30 SEPTEMBER 2017**

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

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

	Note	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	7	2,024,135	1,646,436
Securities held-for-trading ('HFT')	8	1,358,332	700,330
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	231,494	330,051
Other assets	11	290,143	58,475
Derivative assets		55,090	197,164
Tax recoverable		-	4,971
Deferred taxation	12	1,402	742
Statutory deposits with Bank Negara Malaysia		7,590	7,591
Property, plant and equipment	14	1,991	2,880
<b>TOTAL ASSETS</b>		<u>3,973,172</u>	<u>2,951,635</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	17	2,766,284	2,063,593
Deposits and placements of banks and other financial institutions	18	463,836	27,628
Bills and acceptances payable		26,890	31,270
Derivative liabilities		56,162	162,743
Other liabilities	19	45,654	87,501
Tax payable		1,599	-
<b>TOTAL LIABILITIES</b>		<u>3,360,425</u>	<u>2,372,735</u>
Share capital		135,800	135,800
Reserves		476,947	443,100
<b>Shareholders' funds</b>		<u>612,747</u>	<u>578,900</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>3,973,172</u>	<u>2,951,635</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	<u>11,755,086</u>	<u>15,629,274</u>
<b>CAPITAL ADEQUACY</b>	32		
Core equity I ("CET I") capital ratio		34.718%	44.721%
Tier I capital ratio		34.718%	44.721%
Total capital ratio		<u>34.138%</u>	<u>45.210%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2017

		Nine Months Ended		Third Quarter Ended	
		30 Sep 2017	30 Sep 2016	30 Sep 2017	30 Sep 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	20	76,151	50,750	25,850	18,371
Interest expense	21	(11,214)	(6,307)	(5,023)	(2,212)
		<u>64,937</u>	<u>44,443</u>	<u>20,827</u>	<u>16,160</u>
Net interest income					
Other operating income	22	31,987	41,869	13,143	14,276
		<u>96,924</u>	<u>86,312</u>	<u>33,970</u>	<u>30,436</u>
Net income					
Other operating expenses	23	(47,165)	(51,081)	(10,075)	(18,005)
		<u>49,759</u>	<u>35,231</u>	<u>23,895</u>	<u>12,431</u>
Profit before allowance					
Allowances on impairment losses	24	(827)	(222)	31	(268)
		<u>48,932</u>	<u>35,009</u>	<u>23,926</u>	<u>12,163</u>
Profit before taxation					
Taxation		(15,081)	(8,576)	(7,943)	(2,574)
		<u>33,851</u>	<u>26,433</u>	<u>15,983</u>	<u>9,588</u>
Net profit/Total comprehensive income for the period					
Earnings per share (sen)					
- Basic / Diluted		24.93	19.46	11.77	7.06
		<u><u>24.93</u></u>	<u><u>19.46</u></u>	<u><u>11.77</u></u>	<u><u>7.06</u></u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	-	-	33,851	33,851
At 30 September 2017	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>-</u>	<u>334,458</u>	<u>612,751</u>
At 1 January 2016	135,800	141,446	1,047	1,337	270,034	549,664
Total comprehensive income for the financial period	-	-	-	-	26,433	26,433
Transfer to regulatory reserve	-	-	-	730	(730)	-
At 30 September 2016	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>2,067</u>	<u>295,737</u>	<u>576,097</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Third Quarter Ended 30 Sep 2017 RM'000	Third Quarter Ended 30 Sep 2016 RM'000
Profit before taxation	48,931	35,009
Adjustments for non-cash items	43,386	(40,117)
Operating loss before working capital changes	92,317	(5,108)
Changes in working capital:		
Net changes in operating assets	(691,410)	(93,139)
Net changes in operating liabilities	984,613	62,234
Income tax paid	(7,696)	(7,757)
Net cash generated from/(used in) operating activities	377,824	(43,770)
Net cash (used in)/generated from investing activities	(125)	(763)
Net change in cash and cash equivalents	377,699	(44,533)
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	2,024,135	1,367,029

## EXPLANATORY NOTES

### 1 BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial third quarter and nine months ended 30 September 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 third quarter and nine months ended 30 September 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 third quarter and nine months ended 30 September 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 third quarter and nine months under review.

### 7 CASH AND SHORT-TERM FUNDS

	<u>30 Sep 2017</u>	<u>31 Dec 2016</u>
	RM’000	RM’000
Cash and balances with banks and other financial institutions	95,108	97,698
Money at call and deposit placements maturing within one month	1,929,027	1,548,738
	<u>2,024,135</u>	<u>1,646,436</u>

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EXPLANATORY NOTES

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

	<u>30 Sep 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
Malaysian Government Securities	1,178,807	665,423
Malaysian Government Investment Issues	179,525	34,907
	<u>1,358,332</u>	<u>700,330</u>

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

	<u>30 Sep 2017</u>	<u>31 Dec 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>30 Sep 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	23,505	13,810
Factoring receivables	26,234	22,437
Claims on customers under acceptance credits	-	16,700
Staff loans	915	980
Revolving advances	119,791	209,999
Term loans	67,920	72,045
Mortgage loans	362	447
	<u>238,727</u>	<u>336,418</u>
Gross loans, advances and financing	238,727	336,418
Allowance for losses on loans, advances and financing:		
- Individual assessment	(35)	(35)
- Collective assessment	(7,198)	(6,332)
	<u>231,494</u>	<u>330,051</u>
Total net loans, advances and financing	231,494	330,051

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>238,727</u>	<u>336,418</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	235,452	334,140
Domestic banking institutions	1,875	-
Domestic non-banking financial institutions	123	665
Government and statutory bodies	-	186
Individuals	<u>1,277</u>	<u>1,427</u>
	<u>238,727</u>	<u>336,418</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	874	950
- Other fixed rate loans	161,522	250,172
Variable rate		
- Base rate	362	2,660
- Cost plus	8,049	10,591
- Other floating rate loans	<u>67,920</u>	<u>72,045</u>
	<u>238,727</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)	1,236	1,398
Personal use	32	25
Working capital	<u>237,450</u>	<u>334,991</u>
	<u>238,727</u>	<u>336,418</u>

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	215,603	315,906
One year to three years	20,769	19,707
Three to five years	1,935	353
Over five years	420	452
	<u>238,727</u>	<u>336,418</u>
(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	(18)	(17)
Amount written off	-	(9)
Reclassified as performing during the financial period/year	-	(87)
	<u>36</u>	<u>53</u>
At end of financial period/ year	36	53
Individual assessment allowance	(35)	(35)
	<u>1</u>	<u>18</u>
	<u>0.02%</u>	<u>0.02%</u>
Gross impaired loans as a % of gross loans, advances and financing		
	<u>0.02%</u>	<u>0.02%</u>
(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 made during the financial period/ year	866	4,307
	<u>7,198</u>	<u>6,332</u>
At end of financial period/ year	7,198	6,332
	<u>3.02%</u>	<u>1.88%</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % gross loans, advances and financing less individual assessment allowance		
	<u>3.02%</u>	<u>1.88%</u>

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(h) Movements in allowance for impaired loans, advances and financing are as follows: (continued)		
<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 during the financial period/year	(1)	(67)
	35	35
	35	35
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	36	53
	36	53
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	36	53
	36	53

11 OTHER ASSETS

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Other receivables	289,936	58,349
Deposits	36	36
Prepayments	171	90
	290,143	58,475
	290,143	58,475

12 DEFERRED TAXATION

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Deferred tax asset	1,806	1,545
Deferred tax liabilities	(404)	(803)
	1,402	742
	1,402	742

EXPLANATORY NOTES

13 PRE-ACQUISITION PROFITS

There were no pre-acquisition profits reported for the third quarter and nine months 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 third quarter and nine months under review.

16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

17 DEPOSITS FROM CUSTOMERS

	<u>30 Sep 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	2,539,498	1,992,939
Saving deposits	6	6
Fixed deposits	226,780	70,648
	<u>2,766,284</u>	<u>2,063,593</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	208,155	47,262
Six months to one year	16,054	22,313
One year to five years	1,517	21
More than five years	1,054	1,052
	<u>226,780</u>	<u>70,648</u>
(c) By type of customers:		
Business enterprises	2,764,255	2,062,166
Individuals	48	53
Others	1,981	1,374
	<u>2,766,284</u>	<u>2,063,593</u>

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EXPLANATORY NOTES

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Licensed banks	444,053	27,574
Other financial institutions	19,783	54
	<u>463,836</u>	<u>27,628</u>

19 OTHER LIABILITIES

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Deferred income on loans, advances and financing	245	474
Other payables	40,831	79,228
Accruals	4,578	7,799
	<u>45,654</u>	<u>87,501</u>

20 INTEREST INCOME

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u> RM'000	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2017</u> RM'000	<u>30 Sep 2016</u> RM'000
Loans, advances and financing	7,774	7,771	2,460	2,967
Money at call and deposit placements with banks and other financial institutions	36,322	24,243	13,849	7,937
Securities held-for-trading	32,055	18,708	9,541	7,475
Others	-	28	-	(8)
	<u>76,151</u>	<u>50,750</u>	<u>25,850</u>	<u>18,371</u>

21 INTEREST EXPENSE

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u> RM'000	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2017</u> RM'000	<u>30 Sep 2016</u> RM'000
Deposits and placement of bank and other financial institutions	1,681	764	875	296
Deposits from customers	9,491	5,543	4,230	1,916
Others	42	-	(82)	-
	<u>11,214</u>	<u>6,307</u>	<u>5,023</u>	<u>2,212</u>

EXPLANATORY NOTES

22 OTHER OPERATING INCOME

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	279	274	99	85
Service charges/fees	4,084	3,874	1,435	1,319
Guarantee fees	849	957	380	301
Management fee income	2,930	1,592	1,396	572
Other fee income	3,784	3,597	1,264	1,959
	<u>11,926</u>	<u>10,294</u>	<u>4,574</u>	<u>4,236</u>
<u>Gains/(Losses) from securities held-for-trading</u>				
Net gain/(loss) from sale	5,742	16,343	312	9,996
Unrealised revaluation (loss)/gain	(2,014)	(1,858)	258	(2,659)
<u>Unrealised gains/(losses) on revaluation of derivative instruments</u>				
Foreign exchange forwards and swaps	(41,129)	82,244	(10,595)	8,515
Interest rate and cross currency swaps	1,637	(37,842)	203	(1,473)
<u>Realised gains/(losses) on derivative instruments</u>				
Interest rate and cross currency swaps	(2,068)	33,112	(43)	633
<u>Other (losses)/income</u>				
Realised foreign exchange loss	57,641	(60,630)	18,205	(5,019)
Others	252	206	229	47
	<u>31,987</u>	<u>41,869</u>	<u>13,143</u>	<u>14,276</u>

23 OTHER OPERATING EXPENSES

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>
	RM'000	RM'000	RM'000	RM'000
Personnel costs	21,929	23,063	6,262	8,358
Establishment costs	4,688	5,721	1,300	1,382
Marketing expenses	181	280	28	91
Administration and general expenses	20,367	22,017	2,485	8,174
	<u>47,165</u>	<u>51,081</u>	<u>10,075</u>	<u>18,005</u>

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**EXPLANATORY NOTES**

**23 OTHER OPERATING EXPENSES**

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>
	RM'000	RM'000	RM'000	RM'000
Included in the above expenditure are the following items:				
Depreciation of property, plant and equipment	1,014	2,057	307	610
Pension cost – defined contribution plan – EPF	3,593	3,161	653	813
Communication expenses	1,307	1,309	453	514
Shared administrative support expenses	16,041	16,281	966	6,570
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**24 ALLOWANCES ON IMPAIRMENT LOSSES (MADE) / WRITTEN BACK**

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>	<u>30 Sep 2017</u>	<u>30 Sep 2016</u>
	RM'000	RM'000	RM'000	RM'000
Allowance for loans, advances and financing:				
Individual assessment allowance				
- made during the financial period	(2)	(18)	(1)	(18)
- written back during the financial period	1	66	-	13
Collective assessment allowance				
- made during the financial period	(865)	(294)	9	(256)
Bad debts on loans, advances and financing:				
- recovered	39	32	23	1
- written off	-	(8)	-	(8)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(827)</u>	<u>(222)</u>	<u>31</u>	<u>(268)</u>

**25 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

There were no significant events during the financial third quarter and nine months 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 third quarter and nine months ended 30 September 2017.

EXPLANATORY NOTES

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 current financial third quarter and nine months reported as compared with the preceding financial third quarter and nine months reported, which have not been disclosed in these condensed interim financial statement.

30 There were no dividends paid or declared for the financial third quarter ended 30 September 2017.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

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. 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 Sep 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	1,928,984	-	-	-	-	95,151	-	2,024,135
Securities held-for-trading ('HFT')	-	-	-	-	-	-	1,358,332	1,358,332
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	-	-	215,603	22,704	420	(7,233)	-	231,494
Other assets	-	-	-	-	-	256,926	33,217	290,143
Derivative assets	-	-	-	-	-	-	55,090	55,090
Tax recoverable	-	-	-	-	-	-	-	-
Deferred taxation	-	-	-	-	-	1,402	-	1,402
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,590	-	7,590
Property, plant and equipment	-	-	-	-	-	1,991	-	1,991
<b>Total assets</b>	<b>1,928,984</b>	<b>-</b>	<b>215,603</b>	<b>22,704</b>	<b>420</b>	<b>358,822</b>	<b>1,446,639</b>	<b>3,973,172</b>

^ 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 Sep 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>Liabilities</u>								
Deposits from customers	646,109	7,424	13,747	1,053	-	2,097,951	-	2,766,284
Deposits and placements of banks and other financial institutions	91,591	122,513	-	-	-	249,732	-	463,836
Bills and acceptances payable	-	-	-	-	-	26,890	-	26,890
Derivative liabilities	-	-	-	-	-	-	56,162	56,162
Other liabilities	-	-	-	-	-	18,578	27,076	45,654
Tax payable	-	-	-	-	-	1,599	-	1,599
Total liabilities	<u>737,700</u>	<u>129,937</u>	<u>13,747</u>	<u>1,053</u>	<u>-</u>	<u>2,394,750</u>	<u>83,238</u>	<u>3,360,425</u>
On-balance sheet - interest rate gap	<u>1,191,284</u>	<u>(129,937)</u>	<u>201,856</u>	<u>21,651</u>	<u>420</u>			

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31 Dec 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>Assets</u>								
Cash and short-term funds	1,548,738	-	-	-	-	97,698	-	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	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 taxation	-	-	-	-	-	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><u>1,686,471</u></b>	<b><u>175,280</u></b>	<b><u>2,894</u></b>	<b><u>20,060</u></b>	<b><u>451</u></b>	<b><u>123,128</u></b>	<b><u>943,351</u></b>	<b><u>2,951,635</u></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 Dec 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
Derivative liabilities	-	-	-	-	-	-	162,743	162,743
Other liabilities	-	-	-	-	-	27,391	60,110	87,501
Total liabilities	<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:

	30 Sep 2017	
	MYR	USD
	%	%
<u>Financial assets</u>		
Cash and short-term funds	2.90	1.00
Securities held-for-trading ('HFT')	3.75	-
Loans, advances and financing	4.59	3.12
	2.90	1.00

<u>Financial liabilities</u>		
Deposits from customers	2.66	-
Deposits and placements of banks and other financial institutions	1.63	1.24
	1.63	1.24

	31 Dec 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
	1.50	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 30 September 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 September 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>30 Sep 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	1,761,526	211,437	3,676	1,509	4,245	41,742	2,024,135
Securities held-for-trading ('HFT')	1,358,332	-	-	-	-	-	1,358,332
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing <sup>^</sup>	134,295	97,199	-	-	-	-	231,494
Other assets*	119,124	170,812	-	-	-	-	289,936
Derivative assets	55,090	-	-	-	-	-	55,090
Statutory deposits with Bank Negara Malaysia	7,590	-	-	-	-	-	7,590
	<u>3,438,952</u>	<u>479,448</u>	<u>3,676</u>	<u>1,509</u>	<u>4,245</u>	<u>41,742</u>	<u>3,969,572</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 Sep 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	1,753,363	973,768	2,822	3	1,520	34,808	2,766,284
Deposits and placements of banks and other financial institutions	51,486	412,350	-	-	-	-	463,836
Bills and acceptances payable	21,190	5,700	-	-	-	-	26,890
Derivative liabilities	56,162	-	-	-	-	-	56,162
Other liabilities <sup>@</sup>	572	40,226	-	20	-	13	40,831
	<u>1,882,773</u>	<u>1,432,044</u>	<u>2,822</u>	<u>23</u>	<u>1,520</u>	<u>34,821</u>	<u>3,354,003</u>
 Currency gap	 <u>1,556,179</u>	 <u>(952,596)</u>	 <u>854</u>	 <u>1,486</u>	 <u>2,725</u>	 <u>6,921</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 Dec 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 Dec 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.

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EXPLANATORY NOTES

32 CAPITAL ADEQUACY

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

	<u>30 Sep 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Retained profits	300,607	300,607
Other disclosed reserves		
- Statutory reserve	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	(1,402)	(742)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
Total CET I and Tier I capital	<u>576,922</u>	<u>577,582</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	7,198	6,326
Regulatory reserve	-	-
Total Tier II capital	<u>7,198</u>	<u>6,326</u>
Total capital	<u>584,120</u>	<u>583,908</u>

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

Capital ratios

	<u>30 Sep 2017</u>	<u>31 Dec 2016</u>
CET I capital ratio	34.718%	44.721%
Tier I capital ratio	34.718%	44.721%
Total capital ratio	<u>34.138%</u>	<u>45.210%</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.

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EXPLANATORY NOTES

32 CAPITAL ADEQUACY (CONTINUED)

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

	<u>30 Sep 2017</u>		<u>31 Dec 2016</u>	
	<u>Principal</u> RM'000	<u>Risk-weighted</u> RM'000	<u>Principal</u> RM'000	<u>Risk-weighted</u> RM'000
(i) Credit Risk				
0%	1,980,520	-	1,539,407	-
20%	125,427	25,085	217,293	43,459
35%	188	66	193	68
50%	117,000	58,500	203,020	101,510
75%	74	56	120	90
100%	725,281	725,281	585,577	585,577
	<u>2,948,490</u>	<u>808,988</u>	<u>2,545,610</u>	<u>730,704</u>
(ii) Market Risk	-	681,638	-	375,810
(iii) Operational Risk	-	220,410	-	185,024
	<u>2,948,490</u>	<u>1,711,036</u>	<u>2,545,610</u>	<u>1,291,538</u>

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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 Sep 2017 <u>Description</u>	<u>Principal amount</u> RM'000	Positive fair value of derivative <u>contracts</u> RM'000	Credit equivalent <u>amount*</u> RM'000	Risk weighted <u>assets</u> RM'000
Direct credit substitutes	99,607	-	99,607	94,647
Transaction related contingent items	51,058	-	25,529	21,277
Short term self liquidating trade related contingencies	7,618	-	1,524	1,524
Foreign exchange related contracts				
One year or less	2,893,903	23,316	58,540	43,100
Over one year to five years	-	-	-	-
Interest/profit related contracts				
One year or less	1,203,055	(328)	1,104	856
Over one year to five years	6,867,800	10,852	97,477	37,755
Over five years	187,500	1,883	10,508	4,758
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	443,267	-	88,653	88,653
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4	-	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	1,274	-	-	-
<b>Total</b>	<b>11,755,086</b>	<b>35,723</b>	<b>382,944</b>	<b>292,571</b>

\* 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 Dec 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>	<u><u>15,629,274</u></u>	<u><u>127,616</u></u>	<u><u>486,879</u></u>	<u><u>344,419</u></u>

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