

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

THIRD QUARTER ENDED 30 SEPTEMBER 2016

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	<u>Note</u>	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
ASSETS			
Cash and short-term funds	7	1,367,029	1,411,562
Deposits and placements with banks		-	1,008
Securities held-for-trading ('HFT')	8	713,979	297,049
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	363,163	278,152
Other assets	11	30,855	156,279
Derivative assets		141,581	381,661
Tax recoverable		1,613	2,287
Deferred taxation	12	848	993
Statutory deposits with Bank Negara Malaysia		7,591	7,591
Property, plant and equipment	14	3,044	4,454
TOTAL ASSETS		<u>2,632,698</u>	<u>2,544,031</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	1,647,405	1,393,370
Deposits and placements of banks and other financial institutions	18	214,743	38,393
Bills and acceptances payable		27,284	27,156
Other liabilities	19	56,234	135,251
Derivative liabilities		110,935	400,197
TOTAL LIABILITIES		<u>2,056,601</u>	<u>1,994,367</u>
Share capital		135,800	135,800
Reserves		440,297	413,864
Shareholders' funds		<u>576,097</u>	<u>549,664</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>2,632,698</u>	<u>2,544,031</u>
COMMITMENTS AND CONTINGENCIES	33	<u>15,061,415</u>	<u>27,904,290</u>
CAPITAL ADEQUACY	32		
Core equity I ("CET I") capital ratio		39.033%	31.276%
Tier I capital ratio		39.033%	31.276%
Total capital ratio		<u>39.346%</u>	<u>31.467%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2016

		Nine Months Ended	Third Quarter Ended
		30 Sep 2016	30 Sep 2015
		RM'000	RM'000
Interest income	20	50,750	45,883
Interest expense	21	(6,307)	(8,917)
		<u>44,443</u>	<u>36,966</u>
Net interest income		44,443	36,966
Other operating income	22	41,869	41,799
		<u>86,312</u>	<u>78,765</u>
Net income		86,312	78,765
Other operating expenses	23	(51,081)	(46,815)
		<u>35,231</u>	<u>31,950</u>
Profit before allowance		35,231	31,950
Allowances on impairment losses			
(made)/written back	24	(222)	195
		<u>35,009</u>	<u>32,145</u>
Profit before taxation		35,009	32,145
Taxation		(8,576)	(9,602)
		<u>26,433</u>	<u>22,543</u>
Net profit/Total comprehensive		26,433	22,543
income for the period		<u><u>26,433</u></u>	<u><u>22,543</u></u>
		<u>9,588</u>	<u>10,259</u>
Earnings per share (sen)			
- Basic / Diluted		19.46	16.60
		<u>7.06</u>	<u>7.55</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2016

		<u>Non distributable</u>			<u>Distributable</u>	
	Share capital RM'000	Statutory reserves RM'000	Available- for-sale reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
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>
At 1 January 2015	135,800	132,898	1,033	-	245,728	515,459
Total comprehensive income for the financial period	-	-	-	-	22,543	22,543
At 30 September 2015	<u>135,800</u>	<u>132,898</u>	<u>1,033</u>	<u>-</u>	<u>268,271</u>	<u>538,002</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2016

	Third Quarter Ended 30 Sep 2016 RM'000	Third Quarter Ended 30 Sep 2015 RM'000
Profit before taxation	35,009	32,145
Adjustments for non-cash items	(40,117)	(295,144)
Operating loss before working capital changes	(5,108)	(262,999)
Changes in working capital:		
Net changes in operating assets	(93,139)	(581,888)
Net changes in operating liabilities	62,234	675,905
Income tax paid	(7,757)	(4,484)
Net cash used in operating activities	(43,770)	(173,466)
Net cash (used in)/generated from investing activities	(763)	46
Net change in cash and cash equivalents	(44,533)	(173,420)
Cash and cash equivalents at beginning of the year	1,411,562	1,642,304
Cash and cash equivalents at the end of the period	1,367,029	1,468,884

EXPLANATORY NOTES

1 BASIS OF PREPARATION

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

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 2015 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 2016.

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 2016.

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 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Cash and balances with banks and other financial institutions	114,069	76,717
Money at call and deposit placements maturing within one month	1,252,960	1,334,845
	<u>1,367,029</u>	<u>1,411,562</u>

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EXPLANATORY NOTES

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

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Malaysian Government Securities	570,389	288,137
Malaysian Government Investment Issues	143,590	8,912
	<u>713,979</u>	<u>297,049</u>

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

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> 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 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	29,878	18,933
Factoring receivables	10,906	7,504
Claims on customers under acceptance credits	39,800	67,190
Staff loans	1,016	1,246
Revolving advances	217,003	115,891
Term loans	66,453	68,900
Real estate loans	461	596
Gross loans, advances and financing	<u>365,517</u>	<u>280,260</u>
Allowance for losses on loans, advances and financing:		
- Individual assessment	(35)	(83)
- Collective assessment	(2,319)	(2,025)
Total net loans, advances and financing	<u>363,163</u>	<u>278,152</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>365,517</u>	<u>280,260</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	362,913	275,854
Domestic non-banking financial institutions	932	2,190
Government and statutory bodies	195	374
Individuals	1,477	1,842
	<u>365,517</u>	<u>280,260</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	975	1,049
- Other fixed rate loans	292,570	195,169
Variable rate		
- BLR plus	1,121	1,300
- Cost plus	4,398	13,842
- Libor plus	66,453	68,900
	<u>365,517</u>	<u>280,260</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	5	96
Purchase of landed property (residential)	1,437	1,645
Personal use	35	89
Purchase of consumer durables	-	12
Working capital	364,040	278,418
	<u>365,517</u>	<u>280,260</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	355,063	273,687
One year to three years	9,132	4,999
Three to five years	307	255
Over five years	1,015	1,319
	<u>365,517</u>	<u>280,260</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	141	278
Classified as impaired during the financial period/year	18	-
Interest income recognised during the financial period/ year	7	10
Amount recovered during the financial period/ year	(17)	(51)
Amount written off	(9)	-
Reclassified as performing during the financial year	(87)	(96)
At end of financial period/ year	<u>53</u>	<u>141</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.01%</u>	<u>0.05%</u>
(h) Movements in allowance for impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	2,025	1,176
Allowance made during the financial period/ year	294	849
At end of financial period/ year	<u>2,319</u>	<u>2,025</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % gross loans, advances and financing less individual assessment allowance	<u>1.20%</u>	<u>1.20%</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</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	83	205
Allowance made during the financial period/year	18	-
Allowance written back during the financial period/year	(66)	(122)
At end of financial period/ year	<u>35</u>	<u>83</u>
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>53</u>	<u>141</u>
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>53</u>	<u>141</u>

11 OTHER ASSETS

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Other receivables	30,760	155,627
Deposits	36	36
Prepayments	59	616
	<u>30,855</u>	<u>156,279</u>

12 DEFERRED TAXATION

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Deferred tax asset	1,369	1,509
Deferred tax liabilities	(521)	(516)
	<u>848</u>	<u>993</u>

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 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(a) By type of deposit:		
Demand deposits	1,555,148	1,272,139
Saving deposits	23	23
Fixed deposits	92,234	121,208
	<u>1,647,405</u>	<u>1,393,370</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	67,347	94,373
Six months to one year	23,816	26,583
One year to five years	20	252
More than five years	1,051	-
	<u>92,234</u>	<u>121,208</u>
(c) By type of customers:		
Business enterprises	1,646,297	1,389,436
Individuals	101	98
Others	1,007	3,836
	<u>1,647,405</u>	<u>1,393,370</u>

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EXPLANATORY NOTES

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Licensed banks	214,689	22,206
Other financial institutions	54	16,187
	<u>214,743</u>	<u>38,393</u>

19 OTHER LIABILITIES

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Unearned discount and fees on loans, advances and financing	652	1,305
Other payables	48,323	126,291
Provisions and accruals	7,259	7,655
	<u>56,234</u>	<u>135,251</u>

20 INTEREST INCOME

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2015</u> RM'000	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2015</u> RM'000
Loans, advances and financing	7,771	6,943	2,967	2,262
Money at call and deposit placements with banks and other financial institutions	24,243	21,929	7,937	8,726
Securities held-for-trading	18,708	17,011	7,475	4,934
Others	28	-	(8)	-
	<u>50,750</u>	<u>45,883</u>	<u>18,371</u>	<u>15,922</u>

21 INTEREST EXPENSE

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2015</u> RM'000	<u>30 Sep 2016</u> RM'000	<u>30 Sep 2015</u> RM'000
Deposits and placement of bank and other financial institutions	764	301	296	88
Deposits from customers	5,543	8,558	1,916	2,597
Others	-	58	-	37
	<u>6,307</u>	<u>8,917</u>	<u>2,212</u>	<u>2,722</u>

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22 OTHER OPERATING INCOME

	Nine Months Ended		Third Quarter Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	274	390	85	116
Service charges/fees	3,874	3,585	1,319	1,268
Guarantee fees	957	1,002	301	169
Management fee income	1,592	2,067	572	731
Other fee income	3,597	1,946	1,959	206
	<u>10,294</u>	<u>8,990</u>	<u>4,236</u>	<u>2,490</u>
<u>Gains/(Losses) from securities held-for-trading</u>				
Net gain/(loss) from sale	16,343	3,647	9,996	(2,381)
Unrealised revaluation (loss)/gain	(1,858)	2,307	(2,659)	1,047
	<u>14,485</u>	<u>5,954</u>	<u>7,337</u>	<u>(1,334)</u>
<u>Gains/(Losses) on foreign exchange forwards and swaps</u>				
Unrealised revaluation gains	82,244	265,698	8,515	248,730
Realised foreign exchange loss	(60,630)	(240,959)	(5,019)	(238,392)
	<u>21,614</u>	<u>24,739</u>	<u>3,496</u>	<u>10,338</u>
<u>(Losses)/Gains on interest rate and cross currency swaps</u>				
Unrealised revaluation (gains)/losses	(37,842)	29,292	(1,473)	19,478
Realised gains/(losses)	33,112	(27,249)	633	(13,858)
	<u>(4,730)</u>	<u>2,043</u>	<u>(840)</u>	<u>5,620</u>
<u>Other (losses)/income</u>				
Gain on sale of property, plant and equipment	-	63	-	63
Others	206	10	47	-
	<u>41,869</u>	<u>41,799</u>	<u>14,276</u>	<u>17,177</u>

23 OTHER OPERATING EXPENSES

	Nine Months Ended		Third Quarter Ended	
	30 Sep 2016	30 Sep 2015	30 Sep 2016	30 Sep 2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs	23,063	24,128	8,358	8,671
Establishment costs	5,721	5,562	1,382	1,472
Marketing expenses	280	208	91	78
Administration and general expenses	22,017	16,917	8,174	5,220
	<u>51,081</u>	<u>46,815</u>	<u>18,005</u>	<u>15,441</u>

EXPLANATORY NOTES

23 OTHER OPERATING EXPENSES

	Nine Months Ended		Third Quarter Ended	
	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	RM'000	RM'000	RM'000	RM'000
Included in the above expenditure are the following items:				
Depreciation of property, plant and equipment	2,057	2,386	610	819
Pension cost – defined contribution plan – EPF	3,161	3,127	813	754
Communication expenses	1,309	1,359	514	403
Shared administrative support expenses	16,281	11,320	6,570	2,865
	<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 2016</u>	<u>30 Sep 2015</u>	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	RM'000	RM'000	RM'000	RM'000
Allowance for loans, advances and financing:				
Individual assessment allowance				
- made during the financial period	(18)	-	(18)	-
- written back during the financial period	66	118	13	90
Collective assessment allowance				
- made during the financial period	(294)	-	(256)	-
- written back during the financial period	-	52	-	95
Bad debts on loans, advances and financing:				
- recovered	32	25	1	16
- written off	(8)	-	(8)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(222)	195	(268)	201
	<u> </u>	<u> </u>	<u> </u>	<u> </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 2016.

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 2016.

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.

30 Sep 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	1,252,960	-	-	-	-	114,069	-	1,367,029
Securities held-for-trading ('HFT')	-	-	-	-	-	-	713,979	713,979
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	29,880	278,586	46,597	9,439	1,015	(2,354)^	-	363,163
Other assets	-	-	-	-	-	2,643	28,212	30,855
Derivative assets	-	-	-	-	-	-	141,581	141,581
Tax recoverable	-	-	-	-	-	1,613	-	1,613
Deferred tax asset	-	-	-	-	-	848	-	848
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	3,044	-	3,044
Total assets	1,282,840	278,586	46,597	9,439	1,015	130,449	883,772	2,632,698

^ 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)

30 Sep 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>Liabilities</u>								
Deposits from customers	254,935	5,162	18,193	-	1,051	1,368,064	-	1,647,405
Deposits and placements of banks and other financial institutions	54	194,480	-	-	-	20,209	-	214,743
Bills and acceptances payable	-	-	-	-	-	27,284	-	27,284
Other liabilities	-	-	-	-	-	15,205	41,029	56,234
Derivative liabilities	-	-	-	-	-	-	110,935	110,935
Total liabilities	254,989	199,642	18,193	-	1,051	1,430,762	151,964	2,056,601
On-balance sheet - interest rate gap	1,027,851	78,944	28,404	9,439	(36)			

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

31 Dec 2015	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	1,334,845	-	-	-	-	76,717	-	1,411,562
Deposits and placements with banks	-	1,008	-	-	-	-	-	1,008
Securities held-for-trading ('HFT')	-	-	-	-	-	-	297,049	297,049
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	55,230	179,343	39,114	5,254	1,319	(2,108) [^]	-	278,152
Other assets	-	-	-	-	-	4,506	151,773	156,279
Derivative assets	-	-	-	-	-	-	381,661	381,661
Tax recoverable	-	-	-	-	-	2,287	-	2,287
Deferred tax assets	-	-	-	-	-	993	-	993
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	4,454	-	4,454
Total assets	1,390,075	180,351	39,114	5,254	1,319	97,435	830,483	2,544,031

[^] 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 Dec 2015</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	283,656	6,633	19,691	-	-	1,083,390	-	1,393,370
Deposits and placements of banks and other financial institutions	16,187	-	-	-	-	22,206	-	38,393
Bills and acceptances payable	-	-	-	-	-	27,156	-	27,156
Other liabilities	-	-	-	-	-	11,027	124,224	135,251
Derivative liabilities	-	-	-	-	-	-	400,197	400,197
Total liabilities	<u>299,843</u>	<u>6,633</u>	<u>19,691</u>	<u>-</u>	<u>-</u>	<u>1,143,779</u>	<u>524,421</u>	<u>1,994,367</u>
On-balance sheet - interest rate gap	<u>1,090,232</u>	<u>173,718</u>	<u>19,423</u>	<u>5,254</u>	<u>1,319</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 2016		
	<u>MYR</u>	<u>USD</u>	<u>AUD</u>
	%	%	%
<u>Financial assets</u>			
Cash and short-term funds	3.00	0.43	-
Securities held-for-trading ('HFT')	3.81	-	-
Loans, advances and financing	3.96	2.02	-
	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>			
Deposits from customers	2.27	0.05	-
Deposits and placements of banks and other financial institutions	-	0.53	-
	<u> </u>	<u> </u>	<u> </u>
	31 Dec 2015		
	<u>MYR</u>	<u>USD</u>	<u>AUD</u>
	%	%	%
<u>Financial assets</u>			
Cash and short-term funds	3.05	0.23	-
Deposits and placements with banks	-	-	2.25
Securities held-for-trading ('HFT')	4.01	-	-
Loans, advances and financing	4.41	1.66	-
	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>			
Deposits from customers	2.50	0.05	1.90
Deposits and placements of banks and other financial institutions	1.50	-	-
	<u> </u>	<u> </u>	<u> </u>

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 end of the financial third quarter 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 end of the financial third quarter 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 2016</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
<u>Assets</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and short-term funds	975,703	347,276	5,531	952	1,461	36,106	1,367,029
Securities held-for-trading ('HFT')	713,979	-	-	-	-	-	713,979
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing [^]	206,994	156,169	-	-	-	-	363,163
Other assets [*]	1,646	29,114	-	-	-	-	30,760
Derivative assets	141,581	-	-	-	-	-	141,581
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>2,050,489</u>	<u>532,559</u>	<u>5,531</u>	<u>952</u>	<u>1,461</u>	<u>36,106</u>	<u>2,627,098</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)

<u>30 Sep 2016</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
<u>Liabilities</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Deposits from customers	774,423	833,510	4,816	207	1,153	33,296	1,647,405
Deposits and placements of banks and other financial institutions	20,263	194,480	-	-	-	-	214,743
Bills and acceptances payable	16,683	10,601	-	-	-	-	27,284
Other liabilities [@]	5,090	43,137	4	29	63	-	48,323
Derivative liabilities	110,935	-	-	-	-	-	110,935
	<u>927,394</u>	<u>1,081,728</u>	<u>4,820</u>	<u>236</u>	<u>1,216</u>	<u>33,296</u>	<u>2,048,690</u>
Currency gap	<u>1,123,095</u>	<u>(549,169)</u>	<u>711</u>	<u>716</u>	<u>245</u>	<u>2,810</u>	

@ This represents other payables.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31 Dec 2015</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
<u>Assets</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and short-term funds	1,158,799	227,672	2,174	419	2,883	19,615	1,411,562
Deposits and placements with banks	-	-	-	-	1,008	-	1,008
Securities held-for-trading ('HFT')	297,049	-	-	-	-	-	297,049
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing [^]	128,947	149,205	-	-	-	-	278,152
Other assets*	2,931	152,696	-	-	-	-	155,627
Derivative assets	381,661	-	-	-	-	-	381,661
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>1,979,973</u>	<u>529,573</u>	<u>2,174</u>	<u>419</u>	<u>3,891</u>	<u>19,615</u>	<u>2,535,645</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)

<u>31 Dec 2015</u>	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	847,719	525,735	1,215	49	3,765	14,887	1,393,370
Deposits and placements of banks and other financial institutions	38,393	-	-	-	-	-	38,393
Bills and acceptances payable	18,863	8,293	-	-	-	-	27,156
Other liabilities [@]	814	125,420	-	26	31	-	126,291
Derivative liabilities	400,197	-	-	-	-	-	400,197
	<u>1,305,986</u>	<u>659,448</u>	<u>1,215</u>	<u>75</u>	<u>3,796</u>	<u>14,887</u>	<u>1,985,407</u>
Currency gap	<u>673,987</u>	<u>(129,875)</u>	<u>959</u>	<u>344</u>	<u>95</u>	<u>4,728</u>	

@ This represents other payables.

EXPLANATORY NOTES

32 CAPITAL ADEQUACY

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

	<u>30 Sep 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Retained profits	269,304	270,034
Other disclosed reserves		
- Statutory reserve	141,446	141,446
- Unrealised gains and losses on available-for-sale financial instruments	1,047	1,047
	<u>547,597</u>	<u>548,327</u>
Less: regulatory adjustments		
- Deferred tax assets	(848)	(993)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
Total CET I and Tier I capital	<u>546,173</u>	<u>546,758</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	2,310	2,000
Regulatory reserve	2,067	1,337
Total Tier II capital	<u>4,377</u>	<u>3,337</u>
Total capital	<u><u>550,550</u></u>	<u><u>550,095</u></u>

* Excludes collective assessment allowance on impaired loans, advances and financing restricted from Tier II Capital of the Bank of RM8,654 (31.12.2015: RM24,468).

Capital ratios

	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
CET I capital ratio	39.033%	31.276%
Tier I capital ratio	39.033%	31.276%
Total capital ratio	<u><u>39.346%</u></u>	<u><u>31.467%</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:

		30 Sep 2016		31 Dec 2015	
		<u>Principal</u>	<u>Risk-weighted</u>	<u>Principal</u>	<u>Risk-weighted</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(i)	Credit Risk				
	0%	1,192,027	-	1,169,169	-
	20%	301,621	60,324	411,814	82,363
	35%	188	66	205	72
	50%	155,404	77,702	341,627	170,814
	75%	124	93	219	164
	100%	586,382	586,382	643,679	643,679
		<u>2,235,746</u>	<u>724,567</u>	<u>2,566,713</u>	<u>897,092</u>
(ii)	Market Risk	-	491,770	-	685,374
(iii)	Operational Risk	-	182,905	-	165,725
		<u>2,235,746</u>	<u>1,399,242</u>	<u>2,566,713</u>	<u>1,748,191</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 Sep 2016 <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	69,530	-	69,530	64,054
Transaction related contingent items	46,995	-	23,498	18,102
Short term self liquidating trade related contingencies	2,649	-	530	530
Foreign exchange related contracts				
One year or less	5,120,847	56,088	128,635	71,886
Over one year to five years	81,645	9,288	13,219	13,219
Interest/profit related contracts				
One year or less	1,867,446	(766)	2,158	1,033
Over one year to five years	7,225,700	17,997	118,117	43,048
Over five years	187,500	115	10,878	4,846
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	457,827	-	91,565	91,565
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11	-	5	3
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	1,265	-	-	-
Total	15,061,415	82,722	458,135	308,286

* 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 Dec 2015 <u>Description</u>	Principal <u>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	69,374	-	69,374	60,910
Transaction related contingent items	114,602	-	57,301	52,410
Short term self liquidating trade related contingencies	401	-	80	80
Foreign exchange related contracts				
One year or less	11,098,999	139,561	231,447	117,459
Over one year to five years	136,196	20,222	27,030	27,030
Interest/profit related contracts				
One year or less	6,378,230	30,612	38,003	18,556
Over one year to five years	9,397,632	(1,377)	157,379	64,315
Over five years	187,500	2,251	15,699	7,606
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	520,217	-	104,043	104,043
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	8	-	4	2
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	1,131	-	-	-
Total	27,904,290	191,269	700,360	452,411

* 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 September 2016, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the financial third 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 Finance Officer
Clifford Anthony Clement