Bank No.

310983	V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2018

Company No.
310983 V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Note	30 September 2018 RM'000	31 December 2017 RM'000
ASSETS			
Cash and short term funds	7	1,884,831	2,765,001
Financial assets at fair value through profit or loss (FVTPL)	8	1,920,335	336,731
Financial assets at fair value through other comprehensive income (FVOCI)	9	42,804	-
Securities available-for-sale	10	-	2,995
Loans, advances and financing	11	170,676	249,771
Other assets	12	70,049	31,943
Derivative assets		42,513	48,171
Tax recoverable		1,075	2,989
Deferred tax assets		1,037	847
Statutory deposits with Bank Negara Malaysia		9,800	7,591
Property, plant and equipment	14	2,061	1,789
TOTAL ASSETS		4,145,181	3,447,828
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	2,339,814	2,507,549
Deposits and placements of banks and other financial institutions	18	967,707	178,510
Bills and acceptances payable		51,987	42,586
Other liabilities	19	75,358	52,588
Derivative liabilities		35,882	39,160
TOTAL LIABILITIES		3,470,748	2,820,393
Share capital		135,800	135,800
Reserves		538,633	491,635
Shareholders' funds		674,433	627,435
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		4,145,181	3,447,828
COMMITMENTS AND CONTINGENCIES	32	11,770,181	10,618,542

Company No.
310983 V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Interest income	20	34,357	25,850	87,333	76,151
Interest expense	21	(7,280)	(5,023)	(17,283)	(11,214)
Net interest income		27,077	20,827	70,050	64,937
Other operating income	22	15,183	13,143	41,964	31,987
Net income		42,260	33,970	112,014	96,924
Other operating expenses	23	(22,217)	(10,075)	(52,932)	(47,165)
Profit before allowance		20,043	23,895	59,082	49,759
(Allowance)/Decrease on impairment	24	(5,985)	31	(4,095)	(827)
Profit before taxation		14,058	23,926	54,987	48,932
Taxation		(4,132)	(7,943)	(11,380)	(15,081)
Profit for the financial year		9,926	15,983	43,607	33,851
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Change in value of financial assets at fair value through other comprehensive income (FVOCI)/ securities available-for-sale:					
- Income tax effects			-		-
Items that may not be subsequently reclassified to profit or loss					
Change in value of equity investments at fair value through other comprehensive income (FVOCI):					
- Income tax effects			-		-
Other comprehensive income, net of tax			-		-
Total comprehensive income for the financial year		9,926	15,983	43,607	33,851
Earnings per share (sen)					
- Basic/diluted		7.31	11.77	32.11	24.93

Company No.
310983 V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Non distributable			Distributable	
	Share capital	Statutory reserves	Available-for-sale reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018					
- as previously stated	135,800	141,446	1,047	349,142	627,435
- effects of adoption of MFRS 9:	-	-	-	3,391	3,391
Loans, advances and financing	-	-	-	*3,629*	*3,629*
Financial guarantees and loan commitments	-	-	-	*(238)*	*(238)*
	135,800	141,446	1,047	352,533	630,826
Total comprehensive income for the financial period	-	-	-	43,607	43,607
At 30 September 2018	135,800	141,446	1,047	396,140	674,433
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	135,800	141,446	1,047	334,458	612,751

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

UNADUITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2018

	30 September 2018 RM'000	30 September 2017 RM'000
CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES		
Profit before taxation	54,987	48,932
Adjustments for:		
Depreciation of property and equipment	678	1,014
Allowances for expected credit losses/impairment losses	4,095	866
Net unrealised gain on fair value changes in derivatives	2,569	39,492
Net unrealised gain on revaluation of financial assets at FVTPL	910	2,014
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	63,239	92,318
(Increase)/decrease in operating assets:		
Financial assets FVTPL	(1,584,514)	(660,016)
Loans, advances and financing	79,054	97,691
Other assets	(38,106)	(231,667)
Derivative assets	3,089	102,582
Statutory deposit with Bank Negara Malaysia	(2,209)	-
Increase/(decrease) in operating liabilities:		
Deposits from customers	(167,735)	702,691
Deposits and placements of banks and other financial institutions	789,197	436,208
Bills and acceptances payable	9,401	(4,380)
Other liabilities	(17,954)	(43,325)
Derivative liabilities	(3,278)	(106,581)
CASH FLOWS (USED)/ GENERATED FROM OPERATING ACTIVITIES	(869,816)	385,521
Taxation paid	(9,404)	(7,696)
NET CASH (USED)/GENERATED FROM OPERATING ACTIVITIES	(879,220)	377,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(950)	(125)
NET CASH USED IN FROM INVESTING ACTIVITIES	(950)	(125)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(880,170)	377,700
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	2,765,001	1,646,436
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	1,884,831	2,024,136

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

1 BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Bank for the third quarter ended 30 September 2018 have been prepared in accordance with the requirements of 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 2017. 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 2017.

The unaudited condensed interim financial statements have been prepared under the historical cost convention. The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2017, except for the adoption of the new standards that have been issued by MASB.

Below is a summary of standards, amendments or interpretations that are effective for the first time for the financial year beginning 1 January 2018.

1.A NEW AND AMENDED STANDARDS ADOPTED BY THE BANK

MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The Bank has applied this standard effective from 1 January 2018 and no material impact to the Bank is noted.

The Bank has applied MFRS 9 Financial Instruments for the first time with a date of initial application of 1 January 2018. The Bank did not early adopt any of MFRS 9 in previous periods. The requirements of MFRS 9 represent a significant change from MFRS 139: Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes for the Bank's accounting policies resulting from its adoption of MFRS 9 are summarised below.

Classification of financial assets and liabilities

MFRS 9 replaces the existing MFRS 139 categorisations for financial assets and replaces them with three principal categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Classification is generally based on the business in which a financial asset is managed and its contractual cash flows. See note 1.B for further information about how the Bank applies the classification and measurement criteria under the new standard.

MFRS 9 largely retains the existing requirement in MFRS 139 for the classification of financial liabilities, with the exception that for financial liabilities designated at fair value, changes in the credit risk of the liability are presented in OCI.

Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

1 BASIS OF PREPARATION (continued)

1.A NEW AND AMENDED STANDARDS ADOPTED BY THE BANK (continued)

Transition

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, with the exception of certain transitional provisions of MFRS 9 as described below.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

The determination of the business model within which a financial asset is held.

The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The designation of certain investments in equity instruments not held for trading as at FVOCI.

If a debt security had low credit risk at the date of initial application of MFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

1.B FINANCIAL ASSETS

Policy applicable from 1 January 2018

The Bank recognises financial assets in the statement of financial position when it becomes a party of the contractual provisions of the instrument.

The Bank initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at FVTPL, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, the Bank recognises an expected credit loss allowance for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 1.G, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

The Bank classifies its financial assets as measured at: amortised cost, FVOCI or FVTPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 BASIS OF PREPARATION (continued)

1.B FINANCIAL ASSETS (continued)

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

1 The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: and
2 The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (eg. financial assets are held for trading purposes, are held to maximise cash flows through sale, or are managed on a fair value basis), then the financial assets are classified as part of 'other' business model and are measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for the assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interested (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Bank has not taken this election for its equity investments.

All other financial assets, including derivative assets, are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

1.C FINANCIAL GUARANTEES AND LOAN COMMITMENTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured as follows:

1 BASIS OF PREPARATION (continued)

1.C FINANCIAL GUARANTEES AND LOAN COMMITMENTS (continued)

From 1 January 2018, at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee, and the amount determined in accordance with the ECL model as detailed in note 1.G.

Before 1 January 2018, at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Loan commitments provided by the Bank are measured, from 1 January 2018, as the amount of the loss allowance calculated in accordance with note 1.G. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Prior to 1 January 2018 the Bank recognised a provision in accordance with MFRS 137 if the loan commitment contract was considered to be onerous.

Loss allowance arising from financial guarantees and loan commitments are included within provisions.

1.D INTEREST INCOME AND EXPENSE

Policy applicable from 1 January 2018

Amortised cost and effective interest rate

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other that credit-impaired assets, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

1 BASIS OF PREPARATION (continued)

1.D INTEREST INCOME AND EXPENSE (continued)

Calculation of interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised on an accruals basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

1.E NET INCOME FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net income from other financial instruments at FVTPL relates to financial assets and financial liabilities designated as at FVTPL and, from 1 January 2018, non-trading assets and liabilities measured mandatorily at FVTPL. The net income includes fair value changes, interest, dividends, and foreign exchange differences.

1.F MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

If the terms of a financial asset or financial liability are modified, the Bank evaluates whether the new terms of the modified instrument are substantially different to the original terms. If the new terms are substantially different, then the original instrument is derecognised and a new instrument, based on the modified terms, is recognised at fair value. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

Policy applicable from 1 January 2018

In relation to financial assets, if the contractual terms of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition. Instead the Bank recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is present together with impairment losses. In other cases it is presented as interest income.

Where modification does result in derecognition, the date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining where a significant increase in credit risk has occurred.

Policy applicable before 1 January 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then the Bank first considers whether there has been objective evidence of impairment, and if so recognises an impairment loss in accordance with note 1.G.

1 BASIS OF PREPARATION (continued)

1.G IMPAIRMENT

Policy applicable from 1 January 2018

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL;

• Financial assets that are debt instruments
• Financial guarantee contracts issued
• Loan commitments issued

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to 12-month ECL for financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances for financial instruments where there has been a significant increase in credit risk are measured at lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses, measured as follows:

For financial assets that are not credit-impaired at the reporting date, the present value of all cash shortfalls (i.e.. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

For financial assets that are credit-impaired at the reporting date, the difference between the gross carrying amount and the present value of estimated future cash flows;

For undrawn loan commitments, the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn upon and the cash flows that the Bank expects to receive; and

For financial guarantee contracts, the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised, and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

1 BASIS OF PREPARATION (continued)

1.G IMPAIRMENT (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower or issuer;
• A breach of contract such as a default or past due event;
• The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
• The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

For financial assets measured at amortised cost, the loss allowance for ECL is presented as a deduction from the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, the loss allowance is presented as a provision.

For debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position as the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 139 & MFRS 9 at 1 January 2018 are compared as follows:

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

1 BASIS OF PREPARATION (continued)

1.G IMPAIRMENT (continued)

	MFRS 139		Remeasurements	MFRS 9	
Financial assets	**Category**	**Carrying amount** RM'000	RM'000	**Category**	**Carrying amount** RM'000
Cash and short-term funds	Amortised cost (Loans & receivables)	2,765,001	-	Amortised cost	2,765,001
Loans, advances and financing	Amortised cost (Loans & receivables)	249,771	3,629	Amortised cost	253,400
Securities held for trading	Held for Trading	336,731	-	FVTPL	336,731
Unquoted securities	Available for sale	2,995	-	FVOCI	2,995

There were no changes to the classification and measurement of financial liabilities.

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 2017 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 third quarter ended 30 September 2018.

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 ended 30 September 2018.

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 under review.

7 CASH AND SHORT-TERM FUNDS

	30 September 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	81,794	130,480
Money at call and deposit placements maturing within one month	1,803,037	2,634,521
	1,884,831	2,765,001

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	30 September 2018 RM'000	31 December 2017 RM'000
Malaysian Government Securities	658,395	322,660
Malaysian Government Investment Issues	114,836	14,071
Malaysian Government Treasury Bills	1,147,104	-
	1,920,335	336,731

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	30 September 2018 RM'000	31 December 2017 RM'000
Unquoted securities in Malaysia:		
Bank Negara Bills	39,809	
Shares	2,980	-
Bonds	15	-
	42,804	-

10 SECURITIES AVAILABLE-FOR-SALE

	30 September 2018 RM'000	31 December 2017 RM'000
Unquoted securities in Malaysia:		
Shares	-	2,980
Bonds	-	15
	-	2,995

Company No.
310983 V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

11 LOANS, ADVANCES AND FINANCING

	30 September 2018 RM'000	31 December 2017 RM'000
(a) By type		
At amortised cost:		
Overdrafts	6,993	37,459
Factoring receivables	24,385	27,000
Staff loans	873	946
Revolving advances	79,559	126,458
Term loans	66,390	65,310
Mortgage loans	267	342
Gross loans, advances and financing	178,467	257,515
Allowance for losses on loans, advances and financing - Note 11 (i):		
- Expected Credit Losses ("ECL")	(7,791)	-
- Individual assessment	-	(36)
- Collective assessment	-	(7,708)
Total net loans, advances and financing	170,676	249,771
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	178,467	257,515
(c) By type of customer		
Domestic business enterprises	177,080	253,946
Domestic banking institutions	-	1,900
Domestic non-banking financial institutions	247	381
Individuals	1,140	1,288
	178,467	257,515
(d) By interest rate sensitivity		
Fixed rate:		
Housing loans	788	852
Other fixed rate loans	108,277	173,780
Variable rate:		
Base rate	267	342
Cost plus	2,745	17,231
Other floating rate loans	66,390	65,310
	178,467	257,515

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

	30 September 2018 RM'000	31 December 2017 RM'000
(e) By sector		
Mining & quarrying	66,391	65,310
Manufacturing	65,409	115,644
Construction	13,192	12,925
Wholesale & Retail trade, Restaurant & Hotels	4,248	20,228
Finance, insurance and business services	28,087	42,120
Household	1,140	1,288
	178,467	257,515
(f) By economic purpose		
Purchase of transport vehicles	68	77
Purchase of landed property (residential)	1,054	1,194
Personal use	18	17
Working capital	177,327	256,227
	178,467	257,515
(g) By residual contractual maturity		
Within one year	158,548	235,858
One year to three years	19,452	20,917
Three years to five years	29	261
Over five years	438	479
	178,467	257,515
(h) Movements in impaired loans, advances and financing are as follows:		
At 1 January	36	53
Classified as impaired during the financial period/year	(6)	1
Amount recovered during the financial period/year	-	(18)
At 30 September	30	36
Individual assessment allowance	-	(36)
Lifetime ECL Credit Impaired (Stage 3)	(30)	-
Net impaired loans, advances and financing	-	-
Gross impaired loans as a % of gross loans, advances and financing	0.02%	0.01%

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

	30 September 2018 RM'000	31 December 2017 RM'000
(i) Movements in Expected Credit Losses ("ECL") on loans, advances and financing are as follows:		
<u>12 Months ECL (Stage 1)</u>		
At 1 January	1,046	-
- effects of adopting MFRS 9	(436)	-
Restated	610	-
Write-back made during the financial period	(366)	-
At end of financial period	244	-
<u>Lifetime ECL Not Credit Impaired (Stage 2)</u>		
At 1 January	6,662	-
- effects of adopting MFRS 9	(3,193)	-
Restated	3,469	-
Allowance made during the financial period	4,048	-
At end of financial period	7,517	-
<u>Lifetime ECL Credit Impaired (Stage 3)</u>		
At 1 January	36	-
Write-back made during the financial period	(6)	-
At end of financial period	30	-
Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	-	35
Allowance made during the financial year	-	2
Write-back made during the financial year	-	(1)
At end of financial year	-	36
<u>Collective assessment allowance</u>		
At 1 January	-	6,332
Allowance made during the financial year	-	1,376
At end of financial year	-	7,708
Portfolio impairment allowance (inclusive of regulatory reserve) as % of total credit exposures* net of loss allowance for credit impaired exposures/ gross loan, advances and financing less individual assessment allowance	1.96%	2.99%

** Refers to credit exposures that are subject to impairment requirements under MFRS 9*

11 LOANS, ADVANCES AND FINANCING (CONTINUED)

	30 September 2018 RM'000	31 December 2017 RM'000
(j) Impaired loans, advances and financing analysed by geographical distribution		
Malaysia	30	36
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	30	36

12 OTHER ASSETS

	30 September 2018 RM'000	31 December 2017 RM'000
Collateral receivables	17,773	11,830
Intercompany receivables	9,179	5,425
Other receivables	42,464	13,974
Deposits	36	36
Prepayments	597	678
	70,049	31,943

13 PRE-ACQUISITION PROFITS

There were no pre-acquisition profits reported for the financial third quarter under review.

14 PROPERTY, PLANT AND EQUIPTMENT

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 under review.

16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

17 DEPOSITS FROM CUSTOMERS

	30 September 2018 RM'000	31 December 2017 RM'000
Demand deposits	1,629,978	2,375,191
Savings deposits	6	6
Fixed deposits	709,830	132,352
	2,339,814	2,507,549

(a) Maturity structure of fixed deposits is as follows:

Due within six months	703,600	106,431
Six months to one year	4,124	21,336
One year to five years	1,050	3,530
More than five years	1,056	1,055
	709,830	132,352

(b) The deposits are sourced from the following types of customers:

Business enterprise	2,337,048	2,505,179
Individuals	48	46
Others	2,718	2,324
	2,339,814	2,507,549

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2018 RM'000	31 December 2017 RM'000
Licensed banks	967,652	158,652
Other financial institutions	55	19,858
	967,707	178,510

19 OTHER LIABILITIES

	30 September 2018 RM'000	31 December 2017 RM'000
Collateral payables	34,616	28,320
Intercompany payables	9,914	3,265
Deferred income on loans, advances and financing	22	182
Accruals	4,499	5,122
Share-based recharge payables	1,272	1,445
Other payables	24,378	14,254
Other provisions	657	-
	75,358	52,588

20 INTEREST INCOME

	Third Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Loans, advances and financing	2,113	2,460	6,920	7,774
Money at call and deposit placements with banks and other financial institutions	16,676	13,849	45,484	36,322
Financial assets at FVTPL	15,200	9,541	34,427	32,055
Financial assets at FVOCI	368	-	368	-
Others	-	-	134	-
	34,357	25,850	87,333	76,151

21 INTEREST EXPENSE

	Third Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Deposits and placements of banks and other financial institutions	1,403	875	2,010	1,681
Deposits from customers	5,884	4,230	15,273	9,491
Others	(7)	(82)	-	42
	7,280	5,023	17,283	11,214

22 OTHER OPERATING INCOME

	Third Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Fee income				
Commission	61	99	225	279
Service charges and fees	1,540	1,435	4,130	4,084
Guarantee fees	239	380	779	849
Management fee income	1,610	1,396	4,379	2,930
Other fee income	1,498	1,264	3,607	3,784
Total fee income	4,948	4,574	13,120	11,926
Net gain/(loss) arising from financial assets at FVTPL				
Net gain from sale of financial assets	2,911	312	80	5,742
Unrealised revaluation (loss)/gain on at FVTPL	(308)	258	(910)	(2,014)
Unrealised gains/(loss) on derivative instruments				
Foreign exchange forwards and swaps	(3,901)	(10,595)	(3,899)	(41,129)
Interest rate and cross currency swaps	23	203	1,330	1,637
Realised loss on derivatives	(163)	(43)	(1,384)	(2,068)
Realised foreign exchange gain	11,673	18,205	33,587	57,641
Others	-	229	40	252
	15,183	13,143	41,964	31,987

Company No.
310983 V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

23 OTHER OPERATING EXPENSES

	Third Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel costs				
Salaries, allowances and bonuses	5,880	4,802	17,375	15,300
Share-based payment	1,183	73	3,496	1,214
Defined contribution plans	1,119	653	4,172	3,593
Other personnel costs	1,217	734	2,779	1,822
	9,399	6,262	27,822	21,929
Establishment costs				
Depreciation of property and equipment	261	307	678	1,014
Rental of premises	342	314	1,063	896
Rental of equipment	74	81	215	238
Repair and maintenance	918	288	1,461	1,567
Others	315	310	1,194	973
	1,910	1,300	4,611	4,688
Marketing expenses				
Others	51	28	198	181
	51	28	198	181
Administration and general expenses				
Communication expenses	380	453	1,340	1,307
Legal and professional fees	292	136	694	528
Stationery and postages	86	166	333	467
Shared administrative support expenses	8,909	966	13,781	16,041
Others	1,190	764	4,153	2,024
	10,857	2,485	20,301	20,367
	22,217	10,075	52,932	47,165

24 (ALLOWANCE)/DECREASE ON IMPAIRMENT

	Third Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Increase in ECL for the financial period	(5,985)	-	(4,101)	-
Individual assessment allowance:				
- Made during the financial year	-	(1)	-	(2)
- Written back during the financial period	-	-	6	1
Collective assessment allowance:				
- Written back during the financial period	-	9	-	(865)
Bad debts on loans, advances and financing:				
- recovered	-	23	-	39
	(5,985)	31	(4,095)	(827)

25 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the financial third quarter that have not been disclosed in these condensed interim financial statements.

26 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Bank has agreed to an extension of the maturity date of a term loan which was due in October 2018. Based on BNM Policy Document on Financial Reporting (BNM/RH/PD 032-13), the extension is considered to be Rescheduled and Restructured, and classified as credit impaired loan.

27 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial third quarter ended 30 September 2018 which have not been disclosed in the audited financial statements for the financial year ended 31 December 2017.

28 SEGMENTAL REPORTING ON REVENUE, PROFIT AND ASSETS

Segmental reporting has not been prepared as there are no other segments other than the commercial banking segment.

29 MATERIALITY

There are no material changes in the profit before taxation for the financial third quarter reported as compared with the preceding financial third quarter, which have not been disclosed in these condensed interim financial statement.

30 DIVIDENDS

There were no dividends paid or declared for the financial third quarter ended 30 September 2018.

31 CAPITAL ADEQUACY

The table below summaries the composition of regulatory capital and ratio of the Bank:

	30 September 2018 RM'000	31 December 2017 RM'000
Common Equity ("CET1") Capital and Tier 1 Capital		
Share capital	135,800	135,800
Retained profits	349,142	349,142
- effects of adoption of MFRS 9	3,391	-
Other disclosed reserves		
- Statutory reserve	141,446	141,446
Unrealised gains and losses on available-for-sale financial instruments	1,047	1,047
	630,826	627,435
Less: regulatory adjustments		
- Deferred tax assets	(1,037)	(847)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
Total CET 1 and Tier 1 Capital	629,213	626,012
Tier-II Capital		
Loss allowance for non-credit impaired exposures/ Collective assessment allowance	6,918	7,708
Regulatory reserve	-	-
Total Tier II capital	6,918	7,708
Total Capital	636,131	633,720

Breakdown of risk-weighted assets ("RWA") in the various categories of risk-weights:

	30 September 2018 RM'000	31 December 2017 RM'000
Total risk-weighted assets:-		
Credit risk	553,453	670,434
Market risk	357,618	373,098
Operational risk	239,626	215,153
Total RWA	1,150,697	1,258,685

Capital ratios	30 September 2018 RM'000	31 December 2017 RM'000
CET I capital ratio	54.681%	49.735%
Tier I capital ratio	54.681%	49.735%
Total capital ratio	55.282%	50.348%

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 2 February 2018. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

32 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 commitments and contingencies constitute the followings:

	30 September 2018			31 December 2017		
Description	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	108,287	108,287	104,241	111,010	111,010	105,554
Transaction related contingent items	51,020	25,510	22,271	53,179	26,590	22,858
Short Term Self Liquidating trade related contingencies	8,290	1,658	1,658	5,251	1,050	1,050
Foreign exchange related contracts:						
- One year or less	3,984,397	55,394	28,948	1,903,279	40,702	28,133
Interest/profit rate related contracts:						
- One year or less	2,573,000	3,272	1,220	2,068,389	3,511	1,938
- Over one year to five years	4,278,600	66,758	27,289	5,834,800	70,772	25,473
- Over five years	187,500	8,408	3,792	187,500	10,333	4,695
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	577,856	115,571	115,571	453,926	90,785	90,785
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	11	6	2	2	1	1
Miscellaneous commitments and contingencies	1,220	-	-	1,206	-	-
Total	11,770,181	384,864	304,992	10,618,542	354,754	280,487

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

A range of methodologies and assumptions had been used in deriving the fair values of the Bank's financial instruments at balance sheet date.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, as derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Bank's financial assets and liabilities that are measured at fair value.

30 September 2018	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at fair value through profit or loss (FVTPL)				
Securities held for trading				
- Malaysian Government Securities	658,395	-	-	658,395
- Government investment issues	114,836	-	-	114,836
- Malaysian Government Treasury Bills	1,147,104	-	-	1,147,104
Derivative assets				
- Foreign exchange forwards and swaps	-	16,624	-	16,624
- Interest rate and cross currency swaps	-	25,889	-	25,889
Financial assets at fair value through other comprehensive income (FVOCI)				
Bank Negara Bills	-	-	39,809	39,809
Unquoted shares	-	-	2,980	2,980
Total assets	1,920,335	42,513	42,789	2,005,637
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	-	10,341	-	10,341
- Interest rate and cross currency swaps	-	25,541	-	25,541
Total liabilities	-	35,882	-	35,882

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 2018

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

31 December 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at fair value through profit or loss				
Securities held for trading				
- Malaysian Government Securities	322,660	-	-	322,660
- Government investment issues	14,071	-	-	14,071
Derivative assets				
- Foreign exchange forwards and swaps	-	25,453	-	25,453
- Interest rate and cross currency swaps	-	22,718	-	22,718
Securities available-for-sale				
Unquoted shares	-	-	2,980	2,980
Total assets	336,731	48,171	2,980	387,882
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	-	23,888	-	23,888
- Interest rate and cross currency swaps	-	15,272	-	15,272
Total liabilities	-	39,160	-	39,160

There were no transfers between levels 1 and 2 during the year.

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 2018, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes for the 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 Financial Officer
Yvonne Lew Ee-Wern
26 October 2018