

Company No.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FIRST QUARTER ENDED 31 MARCH 2016**

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	<u>Note</u>	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	7	1,189,220	1,411,562
Deposits and placements with banks		-	1,008
Securities held-for-trading ('HFT')	8	563,664	297,049
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	306,574	278,152
Other assets	11	35,713	156,279
Derivative assets		157,724	381,661
Tax recoverable		1,854	2,287
Deferred taxation	12	760	993
Statutory deposits with Bank Negara Malaysia		7,591	7,591
Property, plant and equipment	13	3,576	4,454
<b>TOTAL ASSETS</b>		<u>2,269,671</u>	<u>2,544,031</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	17	1,392,088	1,393,370
Deposits and placements of banks and other financial institutions	18	72,630	38,393
Bills and acceptances payable		30,907	27,156
Other liabilities	19	53,765	135,251
Derivative liabilities		161,903	400,197
<b>TOTAL LIABILITIES</b>		<u>1,711,293</u>	<u>1,994,367</u>
Share capital		135,800	135,800
Reserves		422,578	413,864
<b>Shareholders' funds</b>		<u>558,378</u>	<u>549,664</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>2,269,671</u>	<u>2,544,031</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	33	<u>19,925,942</u>	<u>27,904,290</u>
<b>CAPITAL ADEQUACY</b>	32		
Core equity I ("CET I") capital ratio		39.445%	31.276%
Tier I capital ratio		39.445%	31.276%
Total capital ratio		<u>39.710%</u>	<u>31.467%</u>

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2016

	Note	Current financial first quarter ended 31.03.2016 RM'000	Preceding financial first quarter ended 31.03.2015 RM'000
Interest income	20	16,114	15,184
Interest expense	21	(2,075)	(3,297)
Net interest income		14,039	11,887
Other operating income	22	14,113	12,913
Net income		28,152	24,800
Other operating expenses	23	(16,846)	(18,173)
Profit before allowance		11,306	6,627
Allowances on impairment losses	24	(5)	(39)
Profit before taxation		11,301	6,588
Taxation		(2,587)	(1,975)
Profit/Total comprehensive income for the financial period		8,714	4,613
Earnings per share (sen)			
- Basic / Diluted		6.42	3.40

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 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	-	-	-	-	8,714	8,714
Transfer to regulatory reserve	-	-	-	302	(302)	-
At 31 March 2016	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>1,639</u>	<u>278,446</u>	<u>558,378</u>
At 1 January 2015	135,800	132,898	1,033	-	245,728	515,459
Total comprehensive income for the financial period	-	-	-	-	4,613	4,613
At 31 March 2015	<u>135,800</u>	<u>132,898</u>	<u>1,033</u>	<u>-</u>	<u>250,341</u>	<u>520,072</u>

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2016

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Profit before taxation	11,301	6,588
Adjustments for non-cash items	(6,203)	15,770
Operating profit before working capital changes	5,098	22,358
Changes in working capital:		
Net changes in operating assets	57,560	(390,792)
Net changes in operating liabilities	(283,074)	329,827
Income tax paid	(1,921)	(1,552)
Net cash used in operating activities	(222,337)	(40,159)
Net cash used in investing activities	(5)	-
Net change in cash and cash equivalents	(222,342)	(40,159)
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	<u>1,189,220</u>	<u>1,602,145</u>

## EXPLANATORY NOTES

1 BASIS OF PREPARATION

The unaudited condensed interim financial statements should be read in conjunction with the Bank's audited financial statements for the financial year ended 31 December 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 first quarter ended 31 March 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 first quarter ended 31 March 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 first quarter under review.

7 CASH AND SHORT-TERM FUNDS

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Cash and balances with banks and other financial institutions	86,169	76,717
Money at call and deposit placements maturing within one month	1,103,051	1,334,845
	<u>1,189,220</u>	<u>1,411,562</u>

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

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

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Malaysian Government Securities	386,888	288,137
Bank Negara Malaysia Bills	41,883	-
Malaysian Government Investment Issues	134,893	8,912
	<u>563,664</u>	<u>297,049</u>

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

	<u>31.03.2016</u> RM'000	<u>31.12.2015</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>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	35,469	18,933
Factoring receivables	4,972	7,504
Claims on customers under acceptance credits	76,690	67,190
Staff loans	1,199	1,246
Revolving advances	126,730	115,891
Term loans	63,121	68,900
Real estate loans	536	596
Gross loans, advances and financing	<u>308,717</u>	<u>280,260</u>
Allowance for losses on loans, advances and financing:		
- Individual assessment	(78)	(83)
- Collective assessment	(2,065)	(2,025)
Total net loans, advances and financing	<u>306,574</u>	<u>278,152</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**10 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>308,717</u>	<u>280,260</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	304,804	275,854
Domestic non-banking financial institutions	1,799	2,190
Government and statutory bodies	379	374
Individuals	1,735	1,842
	<u>308,717</u>	<u>280,260</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	1,024	1,049
- Other fixed rate loans	208,566	195,169
Variable rate		
- BLR plus	1,346	1,300
- Cost plus	34,660	13,842
- Libor plus	63,121	68,900
	<u>308,717</u>	<u>280,260</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	89	96
Purchase of landed property (residential)	1,561	1,645
Personal use	76	89
Purchase of consumer durables	9	12
Working capital	306,982	278,418
	<u>308,717</u>	<u>280,260</u>
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	302,701	273,687
One year to three years	4,506	4,999
Three to five years	220	255
Over five years	1,290	1,319
	<u>308,717</u>	<u>280,260</u>



BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
(g) Movements in impaired loans, advances and financing:		
At 1 January	141	278
Interest income recognised during the financial period/ year	2	10
Amount recovered during the financial period/ year	(6)	(51)
Reclassified as performing during the financial period/year	-	(96)
	<hr/>	<hr/>
At end of financial period/ year	137	141
Individual assessment allowance	(78)	(83)
	<hr/>	<hr/>
Net impaired loans, advances and financing	<u>59</u>	<u>58</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.04%</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	40	849
	<hr/>	<hr/>
At end of financial period/ year	<u>2,065</u>	<u>2,025</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loan, advances and financing less individual assessment allowance	<u>1.20%</u>	<u>1.20%</u>
(i) Movements in allowance for impaired loans, advances and financing are as follows: (continued)		
<u>Individual assessment allowance</u>		
At 1 January	83	205
Write back made during the financial period/ year	(5)	(122)
	<hr/>	<hr/>
At end of financial period/ year	<u>78</u>	<u>83</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**10 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>137</u>	<u>141</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>137</u>	<u>141</u>

**11 OTHER ASSETS**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Other receivables	35,313	155,627
Deposits	36	36
Prepayments	<u>364</u>	<u>616</u>
	<u>35,713</u>	<u>156,279</u>

**12 DEFERRED TAXATION**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Deferred tax asset	883	1,509
Deferred tax liabilities	<u>(123)</u>	<u>(516)</u>
	<u>760</u>	<u>993</u>

**13 PRE-ACQUISITION PROFITS**

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

**14 PROPERTY, PLANT AND EQUIPMENT**

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

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**15 PROFITS ON SALE OF INVESTMENTS/PROPERTIES**

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

**16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES**

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

**17 DEPOSITS FROM CUSTOMERS**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
(a) By type of deposit:		
Demand deposits	1,282,054	1,272,139
Saving deposits	28	23
Fixed deposits	110,006	121,208
	<u>1,392,088</u>	<u>1,393,370</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	87,625	94,373
Six months to one year	18,793	26,583
One year to five years	2,537	252
More than five years	1,051	-
	<u>110,006</u>	<u>121,208</u>
(c) By type of customers:		
Business enterprises	1,389,811	1,389,436
Individuals	102	98
Others	2,175	3,836
	<u>1,392,088</u>	<u>1,393,370</u>

**18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Licensed banks	72,577	22,206
Other financial institutions	53	16,187
	<u>72,630</u>	<u>38,393</u>

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

19 OTHER LIABILITIES

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
Deferred income on loans, advances and financing	1,059	1,305
Other payables	47,350	126,291
Accruals	5,356	7,655
	<u>53,765</u>	<u>135,251</u>

20 INTEREST INCOME

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Loans, advances and financing	2,217	2,267
Money at call and deposit placements with banks and other financial institutions	8,570	6,625
Securities held-for-trading	5,285	6,292
Others	42	-
	<u>16,114</u>	<u>15,184</u>

21 INTEREST EXPENSE

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Deposits and placement of bank and other financial institutions	228	129
Deposits from customers	1,847	3,158
Others	-	10
	<u>2,075</u>	<u>3,297</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**22 OTHER OPERATING INCOME**

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
<u>Fee income</u>		
Commission	115	173
Service charges/fees	1,274	1,138
Guarantee fees	520	284
Management fee income	513	662
Other fee income	335	456
	<u>2,757</u>	<u>2,713</u>
<u>Gain/(Loss) from securities held-for-trading</u>		
Net gain from sale of securities held-for-trading	4,449	3,377
Unrealised revaluation (loss)/gain on securities held for trading	(457)	2,727
<u>Unrealised gain/(loss) on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	42,251	(23,420)
Interest rate and cross currency swaps	(34,673)	5,768
<u>Realised gain/(loss) on derivatives</u>		
Interest rate and cross currency swaps	31,702	(10,175)
Realised foreign exchange (loss)/gain	(32,058)	31,923
Other income	142	-
	<u>14,113</u>	<u>12,913</u>

**23 OTHER OPERATING EXPENSES**

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Personnel costs	8,259	8,618
Establishment costs	1,831	2,285
Marketing expenses	59	70
Administration and general expenses	6,697	7,200
	<u>16,846</u>	<u>18,173</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**23 OTHER OPERATING EXPENSES (CONTINUED)**

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Included in the above expenditure are the following items:		
Depreciation of property, plant and equipment	767	802
Pension – cost – defined contribution plan – EPF	1,716	1,707
Communication expenses	502	518
Shared administrative support expenses	<u>4,893</u>	<u>5,711</u>

**24 ALLOWANCES ON IMPAIRMENT LOSSES**

	Current financial first quarter ended <u>31.03.2016</u> RM'000	Preceding financial first quarter ended <u>31.03.2015</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- written back during the financial period	(5)	(16)
Collective assessment allowance		
- made during the financial period	40	59
Bad debts on loans, advances and financing:		
- recovered	<u>(30)</u>	<u>(4)</u>
	<u>5</u>	<u>39</u>

**25 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

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

**26 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

There were no significant events subsequent to the balance sheet date which have not been disclosed in these condensed interim financial statements.

EXPLANATORY NOTES

27 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial first quarter ended 31 March 2016 which has not been disclosed in the audited financial statements for the financial year ended 31 December 2015.

28 SEGMENTAL REPORTING ON REVENUE, PROFIT AND ASSETS

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

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

30 There were no dividends paid or declared for the financial first quarter ended 31 March 2016.

## EXPLANATORY NOTES

### 31 USE OF FINANCIAL INSTRUMENTS

#### A Interest rate risk

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

<u>31.03.2016</u>	Up to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 12 <u>months</u> RM'000	>1 - 5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	Non- interest <u>bearing</u> RM'000	Trading <u>book</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>								
Cash and short-term funds	1,103,052	-	-	-	-	86,168	-	1,189,220
Securities held-for-trading ('HFT')	-	-	-	-	-	-	563,664	563,664
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	107,546	172,197	22,958	4,726	1,290	(2,143)^	-	306,574
Other assets	-	-	-	-	-	7,173	28,540	35,713
Derivative assets	-	-	-	-	-	-	157,724	157,724
Tax recoverable	-	-	-	-	-	1,854	-	1,854
Deferred taxation	-	-	-	-	-	760	-	760
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	3,576	-	3,576
<b>Total assets</b>	<b>1,210,598</b>	<b>172,197</b>	<b>22,958</b>	<b>4,726</b>	<b>1,290</b>	<b>107,974</b>	<b>749,928</b>	<b>2,269,671</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.



BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.03.2016</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	234,495	41,051	16,479	-	1,051	1,099,012	-	1,392,088
Deposits and placements of banks and other financial institutions	53	58,979	-	-	-	13,598	-	72,630
Bills and acceptances payable	-	-	-	-	-	30,907	-	30,907
Other liabilities	-	-	-	-	-	11,635	42,130	53,765
Derivative liabilities	-	-	-	-	-	-	161,903	161,903
Total liabilities	<u>234,548</u>	<u>100,030</u>	<u>16,479</u>	<u>-</u>	<u>1,051</u>	<u>1,155,152</u>	<u>204,033</u>	<u>1,711,293</u>
On-balance sheet - interest rate gap	<u>976,050</u>	<u>72,167</u>	<u>6,479</u>	<u>4,726</u>	<u>239</u>			

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2015</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	1,334,845	-	-	-	-	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
<b>Total assets</b>	<b>1,390,075</b>	<b>180,351</b>	<b>39,114</b>	<b>5,254</b>	<b>1,319</b>	<b>97,435</b>	<b>830,483</b>	<b>2,544,031</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.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2015</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	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:

	31.03.2016		
	MYR %	USD %	AUD %
<u>Financial assets</u>			
Cash and short-term funds	3.00	0.31	-
Securities held-for-trading ('HFT')	3.82	-	-
Loans, advances and financing	4.42	1.98	-
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Financial liabilities</u>			
Deposits from customers	2.41	0.05	-
Deposits and placements of banks and other financial institutions	1.50	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
	31.12.2015		
	MYR %	USD %	AUD %
<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 31 March 2016 are reflected in Note 32 on Capital Adequacy.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. The credit risk numbers as at 31 March 2016 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.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

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>31.03.2016</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>							
Cash and short-term funds	1,011,435	128,606	2,999	160	2,154	43,866	1,189,220
Securities held-for-trading ('HFT')	563,664	-	-	-	-	-	563,664
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing <sup>^</sup>	160,290	146,284	-	-	-	-	306,574
Other assets <sup>*</sup>	6,591	28,722	-	-	-	-	35,313
Derivative assets	157,724	-	-	-	-	-	157,724
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>1,910,290</u>	<u>303,612</u>	<u>2,999</u>	<u>160</u>	<u>2,154</u>	<u>43,866</u>	<u>2,263,081</u>

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

<sup>\*</sup> This represents other receivables.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.03.2016</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	822,767	527,634	2,046	43	1,846	37,752	1,392,088
Deposits and placements of banks and other financial institutions	13,651	58,979	-	-	-	-	72,630
Bills and acceptances payable	24,537	6,370	-	-	-	-	30,907
Other liabilities <sup>@</sup>	570	43,473	246	50	60	2,951	47,350
Derivative liabilities	161,903	-	-	-	-	-	161,903
	<u>1,023,428</u>	<u>636,456</u>	<u>2,292</u>	<u>93</u>	<u>1,906</u>	<u>40,703</u>	<u>1,704,878</u>
 Currency gap	 <u>886,862</u>	 <u>(332,844)</u>	 <u>707</u>	 <u>67</u>	 <u>248</u>	 <u>3,163</u>	

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

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2015</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	1,158,799	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.



BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2015</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	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 <sup>@</sup>	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>	

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

## EXPLANATORY NOTES

### 32 CAPITAL ADEQUACY

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

	<u>31.03.2016</u> RM'000	<u>31.12.2015</u> RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Audited and approved retained profits	269,732	270,034
Other disclosed reserves		
- Statutory reserve fund	141,446	141,446
- Unrealised gains and losses on available-for-sale financial instruments	1,047	1,047
	<u>548,025</u>	<u>548,327</u>
Less: regulatory adjustments		
- Deferred tax assets	(760)	(993)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
Total CET I and Tier I capital	<u>546,689</u>	<u>546,758</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	2,038	2,000
Regulatory reserve	1,639	1,337
Total Tier II capital	<u>3,677</u>	<u>3,337</u>
Total capital	<u><u>550,366</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 RM27,332 (31.12.2015: RM24,468).

#### Capital ratios

CET I capital ratio	39.445%	31.276%
Tier I capital ratio	39.445%	31.276%
Total capital ratio	<u><u>39.710%</u></u>	<u><u>31.467%</u></u>

Effective from 1 January 2013, 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 28 November 2012 and 27 June 2013. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

## EXPLANATORY NOTES

### 32 CAPITAL ADEQUACY (CONTINUED)

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

		31.03.2016		31.12.2015	
		<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%	1,021,421	-	1,169,169	-
	20%	275,540	55,108	411,814	82,363
	35%	157	55	205	72
	50%	177,263	88,632	341,627	170,814
	75%	123	92	219	164
	100%	535,016	535,016	643,679	643,679
		<u>2,009,520</u>	<u>678,903</u>	<u>2,566,713</u>	<u>897,092</u>
(ii)	Market Risk	-	535,552	-	685,374
(iii)	Operational Risk	-	171,505	-	165,725
		<u>2,009,520</u>	<u>1,385,960</u>	<u>2,566,713</u>	<u>1,748,191</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**33 COMMITMENTS AND CONTINGENCIES**

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

The commitment and contingencies are as follows:

31.03.2016 <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	74,438	-	74,438	64,857
Transaction related contingent items	45,944	-	22,972	18,412
Short term self liquidating trade related contingencies	4,589	-	918	918
Foreign exchange related contracts				
One year or less	5,976,337	62,265	115,680	67,779
Over one year to five years	124,738	8,556	14,363	14,363
Interest/profit related contracts				
One year or less	4,929,500	709	4,381	1,912
Over one year to five years	8,068,671	5,369	116,616	41,625
Over five years	187,500	2,547	10,327	4,774
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	513,068	-	102,613	102,613
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	1,146	-	-	-
<b>Total</b>	<b>19,925,942</b>	<b>79,446</b>	<b>462,313</b>	<b>317,256</b>

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

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

**EXPLANATORY NOTES**

**33 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

31.12.2015 <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	69,374	-	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	-	-	-
<b>Total</b>	<b>27,904,290</b>	<b>191,269</b>	<b>700,360</b>	<b>452,411</b>

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

STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 31 March 2016, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the first quarter ended on that date had been prepared from the Bank's accounting and other records and nothing has come to our attention that causes us to believe that the condensed interim financial statements are not presented fairly in all material aspects in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities and Bank Negara Malaysia Guidelines.

For and on behalf of,  
Bank of America Malaysia Berhad



Chief Finance Officer  
Hemant Bhogle