

Company No.

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| 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 |
|---|-------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| 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 |
| TOTAL ASSETS | | <u>2,269,671</u> | <u>2,544,031</u> |
| LIABILITIES AND SHAREHOLDERS' FUNDS | | | |
| 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 |
| TOTAL LIABILITIES | | <u>1,711,293</u> | <u>1,994,367</u> |
| Share capital | | 135,800 | 135,800 |
| Reserves | | 422,578 | 413,864 |
| Shareholders' funds | | <u>558,378</u> | <u>549,664</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS | | <u>2,269,671</u> | <u>2,544,031</u> |
| COMMITMENTS AND CONTINGENCIES | 33 | <u>19,925,942</u> | <u>27,904,290</u> |
| CAPITAL ADEQUACY | 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 | | <u>14,039</u> | <u>11,887</u> |
| Other operating income | 22 | 14,113 | 12,913 |
| Net income | | <u>28,152</u> | <u>24,800</u> |
| Other operating expenses | 23 | (16,846) | (18,173) |
| Profit before allowance | | <u>11,306</u> | <u>6,627</u> |
| Allowances on impairment losses | 24 | (5) | (39) |
| Profit before taxation | | <u>11,301</u> | <u>6,588</u> |
| Taxation | | (2,587) | (1,975) |
| Profit/Total comprehensive income for the financial period | | <u><u>8,714</u></u> | <u><u>4,613</u></u> |
| Earnings per share (sen) | | | |
| - Basic / Diluted | | <u><u>6.42</u></u> | <u><u>3.40</u></u> |

BANK OF AMERICA MALAYSIA BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2016

| | Share capital RM'000 | Non distributable | | | Distributable | Total RM'000 |
|--|----------------------------|---------------------------------|---|---------------------------------|-------------------------------|-----------------|
| | | Statutory reserves RM'000 | Available- for-sale reserve RM'000 | Regulatory reserve RM'000 | Retained profits RM'000 | |
| At 1 January 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
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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 | <u>5,098</u> | <u>22,358</u> |
| 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 | <u>(222,337)</u> | <u>(40,159)</u> |
| Net cash used in investing activities | (5) | - |
| Net change in cash and cash equivalents | <u>(222,342)</u> | <u>(40,159)</u> |
| 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><u>1,189,220</u></u> | <u><u>1,602,145</u></u> |

EXPLANATORY NOTES

1 BASIS OF PREPARATION

The unaudited condensed interim financial statements should be read in conjunction with the Bank's audited financial statements for the financial year ended 31 December 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
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EXPLANATORY NOTES

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

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

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

| | 31.03.2016 | 31.12.2015 |
|---|------------|------------|
| | RM'000 | RM'000 |
| <u>Unquoted securities in Malaysia:</u> | | |
| Shares | 2,980 | 2,980 |
| Bonds | 15 | 15 |
| | 2,995 | 2,995 |

10 LOANS, ADVANCES AND FINANCING

| | 31.03.2016 | 31.12.2015 |
|--|------------|------------|
| | RM'000 | 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 | 308,717 | 280,260 |
| Allowance for losses on loans, advances and financing: | | |
| - Individual assessment | (78) | (83) |
| - Collective assessment | (2,065) | (2,025) |
| Total net loans, advances and financing | 306,574 | 278,152 |

BANK OF AMERICA MALAYSIA BERHAD
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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 | <u>1,735</u> | <u>1,842</u> |
| | <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 | <u>63,121</u> | <u>68,900</u> |
| | <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 | <u>306,982</u> | <u>278,418</u> |
| | <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 | <u>1,290</u> | <u>1,319</u> |
| | <u>308,717</u> | <u>280,260</u> |

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> |

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 | 137 | 141 |
| | <u>137</u> | <u>141</u> |
| (k) Impaired loans, advances and financing analysed by economic purpose: | | |
| Purchase of landed property (residential) | 137 | 141 |
| | <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 | 364 | 616 |
| | <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 | (123) | (516) |
| | <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.

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> | <u>31.12.2015</u> |
|---|-------------------|-------------------|
| | RM'000 | 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> | <u>31.12.2015</u> |
|------------------------------|-------------------|-------------------|
| | RM'000 | 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
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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
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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 |
| | <hr/> | <hr/> |
| | 2,757 | 2,713 |
| <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 | - |
| | <hr/> | <hr/> |
| | 14,113 | 12,913 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 |
| | <hr/> | <hr/> |
| | 16,846 | 18,173 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 | 4,893 | 5,711 |
| | <u> </u> | <u> </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 | (30) | (4) |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </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.

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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> | <u>Up to</u> <u>1 month</u> RM'000 | <u>>1 - 3</u> <u>months</u> RM'000 | <u>>3 - 12</u> <u>months</u> RM'000 | <u>>1 - 5</u> <u>years</u> RM'000 | <u>Over</u> <u>5 years</u> RM'000 | <u>Non-</u> <u>interest</u> <u>bearing</u> RM'000 | <u>Trading</u> <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 |
| Total assets | 1,210,598 | 172,197 | 22,958 | 4,726 | 1,290 | 107,974 | 749,928 | 2,269,671 |

[^] The negative balance represents individual assessment allowance and collective assessment allowance for loans, advances and financing in accordance with the Bank's accounting policy on allowance for losses on loans, advances and financing.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

| <u>31.03.2016</u> | <u>Up to 1 month RM'000</u> | <u>>1 - 3 months RM'000</u> | <u>>3 - 12 months RM'000</u> | <u>>1 - 5 years RM'000</u> | <u>Over 5 years RM'000</u> | <u>Non- interest bearing RM'000</u> | <u>Trading book RM'000</u> | <u>Total RM'000</u> |
|--|-------------------------------------|--|---|---------------------------------------|------------------------------------|---|------------------------------------|-------------------------|
| <u>Liabilities</u> | | | | | | | | |
| Deposits from customers | 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 | 234,548 | 100,030 | 16,479 | - | 1,051 | 1,155,152 | 204,033 | 1,711,293 |
| On-balance sheet - interest rate gap | 976,050 | 72,167 | 6,479 | 4,726 | 239 | | | |

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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>>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>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 | <u><u>1,390,075</u></u> | <u><u>180,351</u></u> | <u><u>39,114</u></u> | <u><u>5,254</u></u> | <u><u>1,319</u></u> | <u><u>97,435</u></u> | <u><u>830,483</u></u> | <u><u>2,544,031</u></u> |

[^] The negative balance represents individual assessment allowance and collective assessment allowance for loans, advances and financing in accordance with the Bank's accounting policy on allowance for losses on loans, advances and financing.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

| <u>31.12.2015</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:

| | 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>Financial liabilities</u> | | | |
| Deposits from customers | 2.41 | 0.05 | - |
| Deposits and placements of banks and other financial institutions | 1.50 | - | - |
| | | | |

| | 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>Financial liabilities</u> | | | |
| Deposits from customers | 2.50 | 0.05 | 1.90 |
| Deposits and placements of banks and other financial institutions | 1.50 | - | - |
| | | | |

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.

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> 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 | 1,011,435 | 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 [^] | 160,290 | 146,284 | - | - | - | - | 306,574 |
| Other assets* | 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> |

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

* This represents other receivables.

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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

| <u>31.03.2016</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 [@] | 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> | |

[@] This represents other payables.

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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.

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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 [@] | 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>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) |
| | <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 |
| | <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-</u> | <u>Principal</u> | <u>Risk-</u> |
| | | RM'000 | weighted | RM'000 | weighted |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| (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> |

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> | <u>Principal amount</u> RM'000 | <u>Positive fair value of derivative contracts</u> RM'000 | <u>Credit equivalent amount*</u> RM'000 | <u>Risk weighted assets</u> RM'000 |
|--|---------------------------------------|--|--|---|
| Direct credit substitutes | 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 | - | - | - |
| Total | 19,925,942 | 79,446 | 462,313 | 317,256 |

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

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EXPLANATORY NOTES

33 COMMITMENTS AND CONTINGENCIES (CONTINUED)

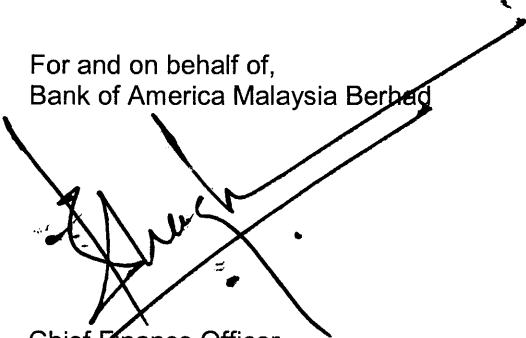
| 31.12.2015 <u>Description</u> | <u>Principal amount</u> RM'000 | <u>Positive fair value of derivative contracts</u> RM'000 | <u>Credit equivalent amount*</u> RM'000 | <u>Risk weighted assets</u> RM'000 |
|--|---------------------------------------|--|--|---|
| Direct credit substitutes | 69,374 | - | 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 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