

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

HALF-YEAR ENDED 30 JUNE 2016

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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

	<u>Note</u>	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
ASSETS			
Cash and short-term funds	7	1,564,251	1,411,562
Deposits and placements with banks		-	1,008
Securities held-for-trading ('HFT')	8	1,323,951	297,049
Securities available-for-sale ('AFS')	9	2,995	2,995
Loans, advances and financing	10	312,702	278,152
Other assets	11	74,990	156,279
Derivative assets		170,786	381,661
Tax recoverable		1,224	2,287
Deferred taxation	12	857	993
Statutory deposits with Bank Negara Malaysia		7,591	7,591
Property, plant and equipment	14	2,897	4,454
TOTAL ASSETS		<u>3,462,244</u>	<u>2,544,031</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	1,635,283	1,393,370
Deposits and placements of banks and other financial institutions	18	980,063	38,393
Bills and acceptances payable		42,380	27,156
Other liabilities	19	92,009	135,251
Derivative liabilities		146,000	400,197
TOTAL LIABILITIES		<u>2,895,735</u>	<u>1,994,367</u>
Share capital		135,800	135,800
Reserves		430,709	413,864
Shareholders' funds		<u>566,509</u>	<u>549,664</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>3,462,244</u>	<u>2,544,031</u>
COMMITMENTS AND CONTINGENCIES	33	<u>21,212,240</u>	<u>27,904,290</u>
CAPITAL ADEQUACY	32		
Core equity I ("CET I") capital ratio		37.638%	31.276%
Tier I capital ratio		37.638%	31.276%
Total capital ratio		<u>37.897%</u>	<u>31.467%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2016

		Half-Year Ended	Second-Quarter Ended
		<u>30 June 2016</u>	<u>30 June 2015</u>
		RM'000	RM'000
Interest income	20	32,379	29,961
Interest expense	21	(4,095)	(6,195)
		<hr/>	<hr/>
Net interest income		28,284	23,766
Other operating income	22	27,593	24,622
		<hr/>	<hr/>
Net income		55,877	48,388
Other operating expenses	23	(33,076)	(31,374)
		<hr/>	<hr/>
Profit before allowance		22,801	17,014
Allowances on impairment losses	24	46	(6)
		<hr/>	<hr/>
Profit before taxation		22,847	17,008
Taxation		(6,002)	(4,724)
		<hr/>	<hr/>
Net profit/Total comprehensive income for the period		<u>16,845</u>	<u>12,284</u>
		<hr/>	<hr/>
Earnings per share (sen)			
- Basic / Diluted		<u>12.40</u>	<u>9.05</u>
		<hr/>	<hr/>
		<u>5.98</u>	<u>5.65</u>
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2016

		<u>Non distributable</u>			<u>Distributable</u>	
	<u>Share capital</u>	<u>Statutory reserves</u>	<u>Available- for-sale reserve</u>	<u>Regulatory reserve</u>	<u>Retained profits</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	16,845	16,845
Transfer to regulatory reserve	-	-	-	377	(377)	-
At 30 June 2016	<u>135,800</u>	<u>141,446</u>	<u>1,047</u>	<u>1,714</u>	<u>286,502</u>	<u>566,509</u>
At 1 January 2015	135,800	132,898	1,033	-	245,728	515,459
Total comprehensive income for the financial period	-	-	-	-	12,284	12,284
At 30 June 2015	<u>135,800</u>	<u>132,898</u>	<u>1,033</u>	<u>-</u>	<u>258,012</u>	<u>527,743</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2016

	Half-Year Ended <u>30 June 2016</u> RM'000	Half-Year Ended <u>30 June 2015</u> RM'000
Profit before taxation	22,847	17,008
Adjustments for non-cash items	(36,613)	(26,461)
Operating loss before working capital changes	(13,766)	(9,453)
Changes in working capital:		
Net changes in operating assets	(730,104)	32,388
Net changes in operating liabilities	901,368	(18,143)
Income tax paid	(4,803)	(3,017)
Net cash generated from operating activities	152,695	1,775
Net cash (used in)/generated from investing activities	(6)	(8)
Net change in cash and cash equivalents	152,689	1,767
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>1,564,251</u>	<u>1,644,071</u>

EXPLANATORY NOTES

1 BASIS OF PREPARATION

The unaudited condensed interim financial statements for the second-quarter and financial half-year 30 June 2016 have been prepared in accordance with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the Bank's audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2015.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements.

2 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the preceding financial year ended 31 December 2015 was not subject to any qualification.

3 SEASONAL OR CYCLICALITY FACTORS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial half-year ended 30 June 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 half-year ended 30 June 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 half-year under review.

7 CASH AND SHORT-TERM FUNDS

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Cash and balances with banks and other financial institutions	92,341	76,717
Money at call and deposit placements maturing within one month	1,471,910	1,334,845
	<u>1,564,251</u>	<u>1,411,562</u>

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EXPLANATORY NOTES

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

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Malaysian Government Securities	1,125,309	288,137
Bank Negara Malaysia Bills	39,986	-
Malaysian Government Investment Issues	158,656	8,912
	<u>1,323,951</u>	<u>297,049</u>

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

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>2,995</u>	<u>2,995</u>

10 LOANS, ADVANCES AND FINANCING

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	37,416	18,933
Factoring receivables	13,092	7,504
Claims on customers under acceptance credits	76,500	67,190
Staff loans	1,057	1,246
Revolving advances	121,757	115,891
Term loans	64,476	68,900
Real estate loans	497	596
	<u>314,795</u>	<u>280,260</u>
Gross loans, advances and financing	314,795	280,260
Allowance for losses on loans, advances and financing:		
- Individual assessment	(30)	(83)
- Collective assessment	(2,063)	(2,025)
	<u>312,702</u>	<u>278,152</u>
Total net loans, advances and financing	<u>312,702</u>	<u>278,152</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>314,795</u>	<u>280,260</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	311,581	275,854
Domestic non-banking financial institutions	1,468	2,190
Government and statutory bodies	192	374
Individuals	1,554	1,842
	<u>314,795</u>	<u>280,260</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	1,000	1,049
- Other fixed rate loans	240,362	195,169
Variable rate		
- BLR plus	498	1,300
- Cost plus	8,459	13,842
- Libor plus	64,476	68,900
	<u>314,795</u>	<u>280,260</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	7	96
Purchase of landed property (residential)	1,497	1,645
Personal use	50	89
Purchase of consumer durables	-	12
Working capital	313,241	278,418
	<u>314,795</u>	<u>280,260</u>

EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	302,757	273,687
One year to three years	10,661	4,999
Three to five years	178	255
Over five years	1,199	1,319
	<u>314,795</u>	<u>280,260</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	141	278
Interest income recognised during the financial period/ year	5	10
Amount recovered during the financial period/ year	(15)	(51)
Reclassified as performing during the financial year	(67)	(96)
At end of financial period/ year	<u>64</u>	<u>141</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.02%</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	38	849
At end of financial period/ year	<u>2,063</u>	<u>2,025</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % gross loans, advances and financing less individual assessment allowance	<u>1.20%</u>	<u>1.20%</u>

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EXPLANATORY NOTES

10 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
(h) Movements in allowance for impaired loans, advances and financing are as follows: (continued)		
<u>Individual assessment allowance</u>		
At 1 January	83	205
Write back made during the financial period/ year	(53)	(122)
	<u>30</u>	<u>83</u>
At end of financial period/ year	<u>30</u>	<u>83</u>
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>64</u>	<u>141</u>
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>64</u>	<u>141</u>

11 OTHER ASSETS

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Other receivables	74,835	155,627
Deposits	36	36
Prepayments	119	616
	<u>74,990</u>	<u>156,279</u>

12 DEFERRED TAXATION

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Deferred tax asset	1,239	1,509
Deferred tax liabilities	(382)	(516)
	<u>857</u>	<u>993</u>

EXPLANATORY NOTES

13 PRE-ACQUISITION PROFITS

There were no pre-acquisition profits reported for the financial half-year under review.

14 PROPERTY, PLANT AND EQUIPMENT

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

15 PROFITS ON SALE OF INVESTMENTS/PROPERTIES

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

16 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

17 DEPOSITS FROM CUSTOMERS

	<u>30 June 2016</u>	<u>31 December 2015</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	1,540,645	1,272,139
Saving deposits	20	23
Fixed deposits	94,618	121,208
	<u>1,635,283</u>	<u>1,393,370</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	69,977	94,373
Six months to one year	21,345	26,583
One year to five years	2,245	252
More than five years	1,051	-
	<u>94,618</u>	<u>121,208</u>
(c) By type of customers:		
Business enterprises	1,632,900	1,389,436
Individuals	94	98
Others	2,289	3,836
	<u>1,635,283</u>	<u>1,393,370</u>

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EXPLANATORY NOTES

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Licensed banks	980,010	22,206
Other financial institutions	53	16,187
	<u>980,063</u>	<u>38,393</u>

19 OTHER LIABILITIES

	<u>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
Unearned discount on loans, advances and financing	997	1,305
Other payables	83,419	126,291
Accruals	7,593	7,655
	<u>92,009</u>	<u>135,251</u>

20 INTEREST INCOME

	<u>30 June 2016</u> RM'000	<u>Half-Year Ended</u> <u>30 June 2015</u> RM'000	<u>30 June 2016</u> RM'000	<u>Second-Quarter Ended</u> <u>30 June 2015</u> RM'000
Loans, advances and financing	4,804	4,681	2,587	2,414
Money at call and deposit placements with banks and other financial institutions	16,306	13,203	7,736	6,578
Securities held-for-trading	11,233	12,077	5,948	5,785
Others	36	-	(6)	-
	<u>32,379</u>	<u>29,961</u>	<u>16,265</u>	<u>14,777</u>

21 INTEREST EXPENSE

	<u>30 June 2016</u> RM'000	<u>Half-Year Ended</u> <u>30 June 2015</u> RM'000	<u>30 June 2016</u> RM'000	<u>Second-Quarter Ended</u> <u>30 June 2015</u> RM'000
Deposits and placement of bank and other financial institutions	468	213	240	84
Deposits from customers	3,627	5,961	1,780	2,803
Others	-	21	-	11
	<u>4,095</u>	<u>6,195</u>	<u>2,020</u>	<u>2,898</u>

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22 OTHER OPERATING INCOME

	Half-Year Ended		Second-Quarter Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	189	274	74	101
Service charges/fees	2,555	2,317	1,281	1,179
Guarantee fees	656	833	136	549
Management fee income	1,020	1,336	507	674
Other fee income	1,638	1,740	1,303	1,284
	<u>6,058</u>	<u>6,500</u>	<u>3,301</u>	<u>3,787</u>
<u>Gains/(losses) from securities held-for-trading</u>				
Net gain from sale	6,347	6,028	1,898	2,651
Unrealised revaluation gain/(loss)	801	1,260	1,258	(1,467)
<u>Unrealised gains/(losses) on revaluation of derivative instruments</u>				
Foreign exchange forwards and swaps	73,729	16,968	31,478	40,388
Interest rate and cross currency swaps	(36,369)	9,814	(1,696)	4,046
<u>Realised gains/(losses) on derivative instruments</u>				
Interest rate and cross currency swaps	32,479	(13,391)	777	(3,216)
<u>Other (losses)/income</u>				
Realised foreign exchange loss	(55,611)	(2,567)	(23,553)	(34,490)
Others	159	10	17	10
	<u>27,593</u>	<u>24,622</u>	<u>13,480</u>	<u>11,709</u>

23 OTHER OPERATING EXPENSES

	Half-Year Ended		Second-Quarter Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs	14,705	15,457	6,446	6,839
Establishment costs	4,339	4,089	2,508	1,804
Marketing expenses	189	130	130	60
Administration and general expenses	13,843	11,698	7,146	4,498
	<u>33,076</u>	<u>31,374</u>	<u>16,230</u>	<u>13,201</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	1,447	1,566	680	765
Pension cost – defined contribution plan – EPF	2,348	2,373	632	666
Communication expenses	795	956	293	438
Shared administrative support expenses	9,711	8,455	4,818	2,744
	<u></u>	<u></u>	<u></u>	<u></u>

EXPLANATORY NOTES

24 ALLOWANCES ON IMPAIRMENT LOSSES

	Half-Year Ended		Second-Quarter Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
Allowance for loans, advances and financing:				
Individual assessment allowance				
- written back during the financial period	(53)	(28)	(48)	(12)
Collective assessment allowance				
- made during the financial period	38	43	-	-
- written back during the financial period	-	-	(2)	(16)
Bad debts on loans, advances and financing:				
- recovered	(31)	(9)	(1)	(5)
	<u>(46)</u>	<u>6</u>	<u>(51)</u>	<u>(33)</u>

25 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

There were no significant events during the financial half-year that have not been disclosed in these condensed interim financial statements.

26 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

27 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial half-year ended 30 June 2016.

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 half-year reported as compared with the preceding financial half-year, which have not been disclosed in these condensed interim financial statement.

30 There were no dividends paid or declared for the financial half-year ended 30 June 2016.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk

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

<u>30 June 2016</u>	<u>Up to</u> <u>1 month</u> <u>RM'000</u>	<u>>1 - 3</u> <u>months</u> <u>RM'000</u>	<u>>3 - 12</u> <u>months</u> <u>RM'000</u>	<u>>1 - 5</u> <u>years</u> <u>RM'000</u>	<u>Over</u> <u>5 years</u> <u>RM'000</u>	<u>Non-</u> <u>interest</u> <u>bearing</u> <u>RM'000</u>	<u>Trading</u> <u>book</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Assets</u>								
Cash and short-term funds	1,471,910	-	-	-	-	92,341	-	1,564,251
Securities held-for-trading ('HFT')	-	-	-	-	-	-	1,323,951	1,323,951
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	96,756	193,108	12,893	10,839	1,199	(2,093) [^]	-	312,702
Other assets	-	-	-	-	-	42,055	32,935	74,990
Derivative assets	-	-	-	-	-	-	170,786	170,786
Tax recoverable	-	-	-	-	-	1,224	-	1,224
Deferred tax asset	-	-	-	-	-	857	-	857
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	7,591	-	7,591
Property, plant and equipment	-	-	-	-	-	2,897	-	2,897
Total assets	1,568,666	193,108	12,893	10,839	1,199	147,867	1,527,672	3,462,244

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

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>30 June 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	306,481	7,382	13,184	-	1,051	1,307,185	-	1,635,283
Deposits and placements of banks and other financial institutions	53	959,398	-	-	-	20,612	-	980,063
Bills and acceptances payable	-	-	-	-	-	42,380	-	42,380
Other liabilities	-	-	-	-	-	50,906	41,103	92,009
Derivative liabilities	-	-	-	-	-	-	146,000	146,000
<u>Total liabilities</u>	<u>306,534</u>	<u>966,780</u>	<u>13,184</u>	<u>-</u>	<u>1,051</u>	<u>1,421,083</u>	<u>187,103</u>	<u>2,895,735</u>
On-balance sheet - interest rate gap	1,262,132	(773,672)	(291)	10,839	148			

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31 December 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	1,390,075	180,351	39,114	5,254	1,319	97,435	830,483	2,544,031

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

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

31 December 2015

Liabilities

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
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	299,843	6,633	19,691	-	-	1,143,779	524,421	1,994,367

On-balance sheet - interest rate gap

1,090,232	173,718	19,423	5,254	1,319
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EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

The tables below summarises the effective average interest rates by major currencies for each class of financial asset and financial liability:

	30 June 2016		
	<u>MYR</u>	<u>USD</u>	<u>AUD</u>
	%	%	%
<u>Financial assets</u>			
Cash and short-term funds	3.14	0.41	-
Securities held-for-trading ('HFT')	3.57	-	-
Loans, advances and financing	4.40	1.91	-
	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>			
Deposits from customers	2.29	0.05	-
Deposits and placements of banks and other financial institutions	1.50	0.46	-
	<u> </u>	<u> </u>	<u> </u>
	31 December 2015		
	<u>MYR</u>	<u>USD</u>	<u>AUD</u>
	%	%	%
<u>Financial assets</u>			
Cash and short-term funds	3.05	0.23	-
Deposits and placements with banks	-	-	2.25
Securities held-for-trading ('HFT')	4.01	-	-
Loans, advances and financing	4.41	1.66	-
	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>			
Deposits from customers	2.50	0.05	1.90
Deposits and placements of banks and other financial institutions	1.50	-	-
	<u> </u>	<u> </u>	<u> </u>

B Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. The market risk numbers as at end of the financial half-year are reflected in Note 32 on Capital Adequacy.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Credit risk

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

30 June 2016	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Assets</u>							
Cash and short-term funds	981,545	528,192	6,048	197	2,802	45,467	1,564,251
Securities held-for-trading ('HFT')	1,323,951	-	-	-	-	-	1,323,951
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing [^]	166,084	146,618	-	-	-	-	312,702
Other assets [*]	41,747	33,088	-	-	-	-	74,835
Derivative assets	170,786	-	-	-	-	-	170,786
Statutory deposits with Bank Negara Malaysia	7,591	-	-	-	-	-	7,591
	<u>2,694,699</u>	<u>707,898</u>	<u>6,048</u>	<u>197</u>	<u>2,802</u>	<u>45,467</u>	<u>3,457,111</u>

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

^{*} This represents other receivables.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>30 June 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	823,038	764,423	4,770	41	2,402	40,609	1,635,283
Deposits and placements of banks and other financial institutions	20,666	959,397	-	-	-	-	980,063
Bills and acceptances payable	35,381	6,999	-	-	-	-	42,380
Other liabilities [@]	2,306	42,538	-	40	38,525	10	83,419
Derivative liabilities	146,000	-	-	-	-	-	146,000
	<u>1,027,391</u>	<u>1,773,357</u>	<u>4,770</u>	<u>81</u>	<u>40,927</u>	<u>40,619</u>	<u>2,887,145</u>
Currency gap	<u>1,667,308</u>	<u>(1,065,459)</u>	<u>1,278</u>	<u>116</u>	<u>(38,125)</u>	<u>4,848</u>	

@ This represents other payables.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

31 December 2015	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total 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.

EXPLANATORY NOTES

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31 December 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>30 June 2016</u> RM'000	<u>31 December 2015</u> RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Retained profits	269,657	270,034
Other disclosed reserves		
- Statutory reserve	141,446	141,446
- Unrealised gains and losses on available-for-sale financial instruments	1,047	1,047
	<u>547,950</u>	<u>548,327</u>
Less: regulatory adjustments		
- Deferred tax assets	(857)	(993)
- 55% of cumulative gains of available-for-sale financial instruments	(576)	(576)
	<u>546,517</u>	<u>546,758</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	2,046	2,000
Regulatory reserve	1,714	1,337
	<u>3,760</u>	<u>3,337</u>
Total Tier II capital		
	<u>550,277</u>	<u>550,095</u>

* Excludes collective assessment allowance on impaired loans, advances and financing restricted from Tier II Capital of the Bank of RM16,851 (31.12.2015: RM24,468).

Capital ratios

	<u>30 June 2016</u>	<u>31 December 2015</u>
CET I capital ratio	37.638%	31.276%
Tier I capital ratio	37.638%	31.276%
Total capital ratio	<u>37.897%</u>	<u>31.467%</u>

The total capital and capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel-II Risk-Weighted Assets) guidelines issued on 13 October 2015. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

EXPLANATORY NOTES

32 CAPITAL ADEQUACY (CONTINUED)

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

		30 June 2016		31 December 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%	1,191,349	-	1,169,169	-
	20%	497,980	99,596	411,814	82,363
	35%	152	53	205	72
	50%	197,678	98,839	341,627	170,814
	75%	165	124	219	164
	100%	565,253	565,253	643,679	643,679
		<u>2,452,577</u>	<u>763,865</u>	<u>2,566,713</u>	<u>897,092</u>
(ii)	Market Risk	-	502,906	-	685,374
(iii)	Operational Risk	-	185,276	-	165,725
		<u>2,452,577</u>	<u>1,452,047</u>	<u>2,566,713</u>	<u>1,748,191</u>

Disclosures pursuant to the requirements of BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) in addition to the above, have been made in the Basel II Pillar 3 Disclosures Report.

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:

30 June 2016 <u>Description</u>	<u>Principal amount</u> RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted assets RM'000
Direct credit substitutes	74,048	-	74,048	64,557
Transaction related contingent items	44,642	-	22,321	16,886
Short term self liquidating trade related contingencies	4,781	-	956	956
Foreign exchange related contracts				
One year or less	7,655,118	70,506	152,763	82,006
Over one year to five years	180,806	9,209	17,975	16,860
Interest/profit related contracts				
One year or less	4,988,769	(589)	3,935	1,952
Over one year to five years	7,625,207	11,623	112,113	40,465
Over five years	187,500	3,322	10,730	4,886
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	450,103	-	90,021	90,021
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	7	-	2	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	1,259	-	-	-
Total	21,212,240	94,071	484,864	318,591

* 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 December 2015 <u>Description</u>	Principal amount 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	-	-	-
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.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 30 June 2016, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the financial half-year 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

A handwritten signature in black ink, appearing to read 'Clifford', with a long horizontal stroke extending from the bottom of the signature.

Chief Finance Officer
Clifford Anthony Clement

28 July 2016