

Company No.

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

CONDENSED INTERIM FINANCIAL STATEMENTS

THIRD QUARTER ENDED 30 SEPTEMBER 2014

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	<u>Note</u>	<u>30.09.2014</u> RM'000	<u>31.12.2013</u> RM'000
ASSETS			
Cash and short-term funds		1,302,017	2,513,159
Securities held-for-trading ('HFT')	7	757,310	573,520
Securities available-for-sale ('AFS')	8	2,995	87,775
Loans, advances and financing	9	194,430	112,654
Other assets	10	6,520	6,470
Derivative assets		33,771	31,905
Tax recoverable		5,203	4,174
Deferred taxation	11	418	285
Statutory deposits with Bank Negara Malaysia		2,300	2,300
Property, plant and equipment	13	8,823	7,941
TOTAL ASSETS		<u>2,313,787</u>	<u>3,340,183</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	16	1,530,091	1,888,331
Deposits and placements of banks and other financial institutions	17	204,062	877,854
Bills and acceptances payable		21,410	19,111
Other liabilities	18	23,595	25,086
Derivative liabilities		20,569	22,156
TOTAL LIABILITIES		<u>1,799,727</u>	<u>2,832,538</u>
Share capital		135,800	135,800
Reserves		378,260	371,845
Shareholders' funds		<u>514,060</u>	<u>507,645</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>2,313,787</u>	<u>3,340,183</u>
COMMITMENTS AND CONTINGENCIES	32	<u>15,213,599</u>	<u>5,260,680</u>
CAPITAL ADEQUACY	31		
Core equity I ("CET I") capital ratio		46.506%	53.417%
Tier I capital ratio		46.506%	53.417%
Total capital ratio		<u>46.601%</u>	<u>53.444%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2014

	Note	Current financial third quarter ended 30.09.2014 RM'000	Preceding financial third quarter ended 30.09.2013 RM'000
Interest income	19	58,461	65,974
Interest expense	20	(13,014)	(15,427)
Net interest income		45,447	50,547
Other operating income	21	13,879	8,276
Net income		59,326	58,823
Other operating expenses	22	(49,393)	(36,821)
Profit before allowance		9,933	22,002
Losses on loans, advances and financing	23	(714)	386
Profit before taxation		9,219	22,388
Taxation		(2,821)	(5,614)
Net profit for the period		6,398	16,774
Other comprehensive income/(loss):			
<u>Items that may be subsequently reclassified to profit or loss:</u>			
Change in value of available-for-sale financial assets:			
- Net gain/(loss) from change in fair value		22	(16)
- Income tax affects		(5)	4
Other comprehensive income/(loss), net of tax		17	(12)
Total comprehensive income for the period		6,415	16,762
Earnings per share (sen)			
- Basic / Diluted		4.71	12.35

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2014

	Non distributable			Distributable	
	Share capital	Statutory reserves	Available- for-sale reserve	Retained profit	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	135,800	130,949	1,017	239,879	507,645
Total comprehensive income for the financial period	-	-	17	6,398	6,415
At 30 September 2014	<u>135,800</u>	<u>130,949</u>	<u>1,034</u>	<u>246,277</u>	<u>514,060</u>
At 1 January 2013	135,800	128,357	2,197	232,105	498,459
Total comprehensive income for the financial period	-	-	(12)	16,774	16,762
At 30 September 2013	<u>135,800</u>	<u>128,357</u>	<u>2,185</u>	<u>248,879</u>	<u>515,221</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2014

	Current financial third quarter ended <u>30.09.2014</u> RM'000	Preceding financial third quarter ended <u>30.09.2013</u> RM'000
Profit before taxation	9,219	22,388
Adjustments for non-cash items	(3,984)	238
Operating profit before working capital changes	<u>5,235</u>	<u>22,626</u>
Changes in working capital:		
Net changes in operating assets	(262,023)	(663,108)
Net changes in operating liabilities	(1,032,811)	1,227,938
Income tax paid	(3,989)	(3,111)
Net cash (used in)/ generated from operating activities	<u>(1,293,588)</u>	<u>584,345</u>
Net cash generated from investing activities	<u>82,446</u>	<u>18,545</u>
Net change in cash and cash equivalents	(1,211,142)	602,890
Cash and cash equivalents at beginning of the year	<u>2,513,159</u>	<u>1,327,361</u>
Cash and cash equivalents at the end of the period	<u><u>1,302,017</u></u>	<u><u>1,930,251</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 2013. 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 2013.

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 2013 was not subject to any qualification.

3 SEASONAL OR CYCLICALITY FACTORS

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

4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial third quarter ended 30 September 2014.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial third quarter ended 30 September 2014.

6 ISSUANCE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

There were no cancellations, repurchase, resale or repayments of debt and equity securities during the current financial third quarter under review.

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EXPLANATORY NOTES

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

	<u>30.09.2014</u> RM'000	<u>31.12.2013</u> RM'000
Malaysian Government Securities	563,090	199,499
Malaysian Government Islamic Bonds	19,940	-
Bank Negara Malaysia Bills	174,280	374,021
	<u>757,310</u>	<u>573,520</u>

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

<u>Money market instruments:</u>		
Bank Negara Malaysia Bills	-	64,831
Malaysian Treasury Bills	-	19,949
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>2,995</u>	<u>87,775</u>

9 LOANS, ADVANCES AND FINANCING

(a) Loans, advances and financing analysed by type:

<u>At amortised cost:</u>		
Overdrafts	53,581	34,576
Term loans – factoring receivables	50,373	6,465
Claims on customers under acceptance credits	2,800	20,700
Staff loans	1,481	1,067
Revolving advances	86,489	49,132
Real estate loans	1,595	1,874
	<u>196,319</u>	<u>113,814</u>
Gross loans, advances and financing		
<u>Allowance for losses on loans, advances and financing:</u>		
- Individual assessment	(800)	(831)
- Collective assessment	(1,089)	(329)
	<u>194,430</u>	<u>112,654</u>
Total net loans, advances and financing		

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EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2014</u> RM'000	<u>31.12.2013</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>196,319</u>	<u>113,814</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	145,137	104,774
Domestic banking financial institutions	2,706	-
Domestic non-banking financial institutions	44,849	5,386
Government and statutory bodies	552	713
Individuals	3,075	2,941
	<u>196,319</u>	<u>113,814</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	1,169	836
- Other fixed rate loans	186,079	105,134
Variable rate		
- BLR plus	1,901	3,104
- Cost plus	7,170	4,740
	<u>196,319</u>	<u>113,814</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	271	139
Purchase of landed property (residential)	2,763	2,710
Personal use	17	59
Purchase of consumer durables	25	33
Working capital	193,243	110,873
	<u>196,319</u>	<u>113,814</u>

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EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2014</u> RM'000	<u>31.12.2013</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	189,881	104,584
One year to three years	3,936	6,333
Three to five years	800	1,467
Over five years	1,702	1,430
	<u>196,319</u>	<u>113,814</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	1,003	952
Classified as impaired during the financial period/ year	27	203
Interest income recognised during the financial period/ year	39	66
Amount recovered during the financial period/ year	(136)	(172)
Reclassified as non-impaired	-	(46)
	<u>933</u>	<u>1,003</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.48%</u>	<u>0.88%</u>
(h) Movements in allowance for impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	329	609
Allowance made during the financial period/ year	760	-
Write back made during the financial period/ year	-	(280)
	<u>1,089</u>	<u>329</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.56%</u>	<u>0.29%</u>

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EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2014</u> RM'000	<u>31.12.2013</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	831	770
Allowance made during the financial period/ year	36	192
Write back made during the financial period/ year	(67)	(131)
At end of financial period/ year	<u>800</u>	<u>831</u>
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>933</u>	<u>1,003</u>
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>933</u>	<u>1,003</u>

10 OTHER ASSETS

Other receivables	6,482	6,430
Deposits	37	37
Prepayments	1	3
	<u>6,520</u>	<u>6,470</u>

11 DEFERRED TAXATION

Deferred tax asset	1,305	1,585
Deferred tax liabilities	(887)	(1,300)
	<u>418</u>	<u>285</u>

EXPLANATORY NOTES

12 PRE-ACQUISITION PROFITS

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

13 PROPERTY, PLANT AND EQUIPMENT

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

14 PROFITS ON SALE OF INVESTMENTS/PROPERTIES

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

15 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

16 DEPOSITS FROM CUSTOMERS

	<u>30.09.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	1,188,515	1,205,913
Saving deposits	99	166
Fixed deposits	341,477	682,252
	<u>1,530,091</u>	<u>1,888,331</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	317,641	593,892
Six months to one year	23,378	86,075
One year to five years	228	2,054
More than five years	230	231
	<u>341,477</u>	<u>682,252</u>
(c) By type of customers:		
Business enterprises	1,521,904	1,877,274
Individuals	6,602	9,515
Others	1,585	1,542
	<u>1,530,091</u>	<u>1,888,331</u>

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EXPLANATORY NOTES

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2014</u> RM'000	<u>31.12.2013</u> RM'000
Licensed banks	188,293	863,596
Other financial institutions	15,769	14,258
	<u>204,062</u>	<u>877,854</u>

18 OTHER LIABILITIES

Unearned discount on loans, advances and financing	9	53
Other payables	18,903	18,208
Accruals	4,683	6,825
	<u>23,595</u>	<u>25,086</u>

19 INTEREST INCOME

	Current financial third quarter ended <u>30.09.2014</u> RM'000	Preceding financial third quarter ended <u>30.09.2013</u> RM'000
Loans, advances and financing	4,564	15,966
Money at call and deposit placements with banks and other financial institutions	32,200	33,312
Securities available-for-sale	825	2,796
Securities held-for-trading	20,872	13,899
Others	-	1
	<u>58,461</u>	<u>65,974</u>

20 INTEREST EXPENSE

Deposits and placement of bank and other financial institutions	607	963
Deposits from customers	12,402	14,463
Others	5	1
	<u>13,014</u>	<u>15,427</u>

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EXPLANATORY NOTES

21 OTHER OPERATING INCOME

	Current financial third quarter ended 30.09.2014 RM'000	Preceding financial third quarter ended 30.09.2013 RM'000
<u>Fee income</u>		
Commission	580	511
Service charges/fees	3,201	2,739
Guarantee fees	515	415
Other fee income	1,433	1,013
	<hr/> 5,729	<hr/> 4,678
<u>Gross Dividend Income</u>		
Securities available-for-sale	-	110
<u>(Losses)/gains from securities held-for-trading</u>		
Net loss from sale of securities held-for-trading	(2,735)	(3,459)
Unrealised revaluation gain on securities held for trading	2,735	(1,201)
<u>Unrealised gain/(loss) on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	6,390	1,417
Interest rate and cross currency swaps	(2,937)	-
<u>Realised gain on derivatives</u>		
Interest rate and cross currency swaps	3,199	-
<u>Other income</u>		
Realised foreign exchange gain	1,497	6,729
Others	1	2
	<hr/> 13,879	<hr/> 8,276

22 OTHER OPERATING EXPENSES

Personnel costs	19,246	13,018
Establishment costs	5,234	7,522
Marketing expenses	224	222
Administration and general expenses	24,689	16,059
	<hr/> 49,393	<hr/> 36,821

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	2,293	3,601
Pension – cost – defined contribution plan – EPF	3,003	1,904
Communication expenses	2,202	2,673
Shared administrative support expenses	19,086	10,592

EXPLANATORY NOTES

23 LOSSES ON LOANS, ADVANCES AND FINANCING

	Current financial third quarter ended <u>30.09.2014</u> RM'000	Preceding financial third quarter ended <u>30.09.2013</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- made during the financial period	36	163
- written back during the financial period	(67)	(123)
Collective assessment allowance		
- made during the financial period	760	-
- written back during the financial period	-	(290)
Bad debts on loans, advances and financing:		
- recovered	(15)	(145)
- written off	-	9
	<u>714</u>	<u>(386)</u>

24 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

The Inland Revenue Board of Malaysia (IRB) has issued their audit findings for year of assessment 2010 to 2013. The Bank has coordinated with its tax agent and internal tax team to respond back to IRB. The matter is still under review and discussion with IRB and no provision has been made.

25 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.

26 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial third quarter ended 30 September 2014 which has not been disclosed in the audited financial statements for the financial year ended 31 December 2013.

27 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.

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

29 There were no dividends paid or declared for the financial third quarter ended 30 September 2014.

EXPLANATORY NOTES

30 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. 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.

30.09.2014

Assets

	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
Cash and short-term funds	1,279,245	-	-	-	-	22,772	-	1,302,017
Securities held-for-trading ('HFT')	-	-	-	-	-	-	757,310	757,310
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	135,261	3,287	51,333	4,736	1,702	(1,889) [^]	-	194,430
Other assets	-	-	-	-	-	1,050	5,470	6,520
Derivative assets	-	-	-	-	-	-	33,771	33,771
Tax recoverable	-	-	-	-	-	5,203	-	5,203
Deferred tax asset	-	-	-	-	-	418	-	418
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Property, plant and equipment	-	-	-	-	-	8,823	-	8,823
Total assets	1,414,506	3,287	51,333	4,736	1,702	41,672	796,551	2,313,787

[^] 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

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>30.09.2014</u>	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
<u>Liabilities</u>								
Deposits from customers	949,915	2,457	22,226	-	-	555,493	-	1,530,091
Deposits and placements of banks and other financial institutions	179,544	-	-	-	-	24,518	-	204,062
Bills and acceptances payable	-	-	-	-	-	21,410	-	21,410
Other liabilities	-	-	-	-	-	10,591	13,004	23,595
Derivative liabilities	-	-	-	-	-	-	20,569	20,569
Total liabilities	1,129,459	2,457	22,226	-	-	612,012	33,573	1,799,727
On-balance sheet - interest rate gap	285,047	830	29,107	4,736	1,702			

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2013</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	2,501,735	-	-	-	-	11,424	-	2,513,159
Securities held-for-trading ('HFT')	-	-	-	-	-	-	573,520	573,520
Securities available-for-sale ('AFS')	70,826	13,954	-	-	-	2,995	-	87,775
Loans, advances and financing	98,624	5,853	106	7,800	1,431	(1,160) [^]	-	112,654
Other assets	-	-	-	-	-	3,773	2,697	6,470
Derivative assets	-	-	-	-	-	-	31,905	31,905
Tax recoverable	-	-	-	-	-	4,174	-	4,174
Deferred tax assets	-	-	-	-	-	285	-	285
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Property, plant and equipment	-	-	-	-	-	7,941	-	7,941
Total assets	2,671,185	19,807	106	7,800	1,431	31,732	608,122	3,340,183

[^] 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

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2013</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	726,511	418,756	83,814	231	-	659,019	-	1,888,331
Deposits and placements of banks and other financial institutions	864,507	5,053	-	-	-	8,294	-	877,854
Bills and acceptances payable	-	-	-	-	-	19,111	-	19,111
Other liabilities	-	-	-	-	-	9,889	15,197	25,086
Derivative liabilities	-	-	-	-	-	-	22,156	22,156
Total liabilities	<u>1,591,018</u>	<u>423,809</u>	<u>83,814</u>	<u>231</u>	<u>-</u>	<u>696,313</u>	<u>37,353</u>	<u>2,832,538</u>
On-balance sheet - interest rate gap	<u>1,080,167</u>	<u>(404,002)</u>	<u>(83,708)</u>	<u>7,569</u>	<u>1,431</u>			

EXPLANATORY NOTES

30 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:

	30.09.2014			
	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>AUD</u>
	%	%	%	%
<u>Financial assets</u>				
Cash and short-term funds	3.25	0.09	-	2.37
Securities held-for-trading ('HFT')	3.58	-	-	-
Loans, advances and financing	4.59	0.88	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

<u>Financial liabilities</u>				
Deposits from customers	2.66	0.15	-	1.93
Deposits and placements of banks and other financial institutions	2.78	0.08	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	31.12.2013			
	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>AUD</u>
	%	%	%	%
<u>Financial assets</u>				
Cash and short-term funds	3.00	0.45	0.45	2.39
Securities held-for-trading ('HFT')	3.30	-	-	-
Securities available-for-sale ('AFS')	2.96	-	-	-
Loans, advances and financing	4.02	3.25	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

<u>Financial liabilities</u>				
Deposits from customers	2.77	0.17	0.35	2.00
Deposits and placements of banks and other financial institutions	2.75	0.11	-	-
	<u> </u>	<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 30 September 2014 are reflected in Note 31 on Capital Adequacy.

EXPLANATORY NOTES

30 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 30 September 2014 are reflected in Note 31 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

30 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.

30.09.2014	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	1,078,148	206,637	1,359	2,928	6,823	6,122	1,302,017
Securities held-for-trading ('HFT')	757,310	-	-	-	-	-	757,310
Securities available-for-sale ('AFS')	2,995	-	-	-	-	-	2,995
Loans, advances and financing [^]	186,880	7,550	-	-	-	-	194,430
Other assets [*]	710	5,772	-	-	-	-	6,482
Derivative assets	33,771	-	-	-	-	-	33,771
Statutory deposits with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>2,062,114</u>	<u>219,959</u>	<u>1,359</u>	<u>2,928</u>	<u>6,823</u>	<u>6,122</u>	<u>2,299,305</u>

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

^{*} This represents other receivables.

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>30.09.2014</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Liabilities</u>							
Deposits from customers	807,385	713,143	185	109	5,452	3,817	1,530,091
Deposits and placements of banks and other financial institutions	40,286	163,776	-	-	-	-	204,062
Bills and acceptances payable	17,552	3,858	-	-	-	-	21,410
Other liabilities [@]	428	17,475	890	53	57	-	18,903
Derivative liabilities	20,569	-	-	-	-	-	20,569
	<u>886,220</u>	<u>898,252</u>	<u>1,075</u>	<u>162</u>	<u>5,509</u>	<u>3,817</u>	<u>1,795,035</u>
Currency gap	<u>1,175,894</u>	<u>(678,293)</u>	<u>284</u>	<u>2,766</u>	<u>1,314</u>	<u>2,305</u>	

@ This represents other payables.

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2013</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
<u>Assets</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Cash and short-term funds	2,119,562	379,660	1,506	2,485	5,355	4,591	2,513,159
Securities held-for-trading ('HFT')	573,520	-	-	-	-	-	573,520
Securities available-for-sale ('AFS')	87,775	-	-	-	-	-	87,775
Loans, advances and financing [^]	112,515	139	-	-	-	-	112,654
Other assets*	2,766	3,664	-	-	-	-	6,430
Derivative assets	31,905	-	-	-	-	-	31,905
Statutory deposits with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>2,930,343</u>	<u>383,463</u>	<u>1,506</u>	<u>2,485</u>	<u>5,355</u>	<u>4,591</u>	<u>3,327,743</u>

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

* This represents other receivables.

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

31.12.2013

Liabilities

Deposits from customers
Deposits and placements of
banks and other financial institutions
Bills and acceptances payable
Other liabilities[@]
Derivative liabilities

	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
	1,396,591	481,801	282	1,704	5,193	2,760	1,888,331
	22,552	855,302	-	-	-	-	877,854
	18,094	1,017	-	-	-	-	19,111
	433	17,701	4	38	32	-	18,208
	22,156	-	-	-	-	-	22,156
	1,459,826	1,355,821	286	1,742	5,225	2,760	2,825,660

Currency gap

	1,470,517	(972,358)	1,220	743	130	1,831	
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@ This represents other payables.

EXPLANATORY NOTES

31 CAPITAL ADEQUACY

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

	<u>30.09.2014</u> RM'000	<u>31.12.2013</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	239,879	239,879
Other disclosed reserves		
- Statutory reserve fund	130,949	130,949
- Unrealised gains and losses on available-for-sale financial instruments	1,034	1,017
	<u>507,662</u>	<u>507,645</u>
Less: regulatory adjustments		
- Deferred tax assets	(418)	(285)
- 55% of cumulative gains of available-for-sale financial instruments	(569)	(560)
	<u>506,675</u>	<u>506,800</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	1,033	255
Total capital	<u><u>507,708</u></u>	<u><u>507,055</u></u>

* Excludes collective assessment allowance on impaired loans, advances and financing restricted from Tier II Capital of the Bank of RM55,651 (31.12.2013: RM73,511).

Capital ratios

CET I capital ratio	46.506%	53.417%
Tier I capital ratio	46.506%	53.417%
Total capital ratio	<u><u>46.601%</u></u>	<u><u>53.444%</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. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

EXPLANATORY NOTES

31 CAPITAL ADEQUACY (CONTINUED)

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

		30.09.2014		31.12.2013	
		<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%	1,021,419	-	2,211,603	-
	20%	392,524	78,505	441,376	88,275
	35%	357	125	495	173
	50%	173,780	86,890	74,154	37,077
	75%	297	223	336	252
	100%	386,905	386,905	268,308	268,308
		<u>1,975,282</u>	<u>552,648</u>	<u>2,996,272</u>	<u>394,085</u>
(ii)	Market Risk	-	407,946	-	439,647
(iii)	Operational Risk	-	128,894	-	115,036
		<u>1,975,282</u>	<u>1,089,488</u>	<u>2,996,272</u>	<u>948,768</u>

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EXPLANATORY NOTES

32 COMMITMENTS AND CONTINGENCIES

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

The commitment and contingencies are as follows:

30.09.2014 <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	87,028	-	87,028	78,711
Transaction related contingent items	35,217	-	17,608	12,655
Short term self liquidating trade related contingencies	71,991	-	14,398	14,398
Foreign exchange related contracts				
One year or less	3,384,781	22,177	65,780	33,164
Over one year to five years	89,612	2,489	6,970	4,811
Interest/profit related contracts				
One year or less	4,568,000	1,655	11,101	3,435
Over one year to five years	6,487,835	5,372	158,012	59,984
Over five years	54,000	644	5,504	2,071
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	434,111	-	86,822	86,483
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	32	-	16	9
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	992	-	-	-
Total	15,213,599	32,337	453,239	295,721

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

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EXPLANATORY NOTES

32 COMMITMENTS AND CONTINGENCIES (CONTINUED)

31.12.2013 <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	45,473	-	45,473	41,216
Transaction related contingent items	23,325	-	11,663	8,167
Short term self liquidating trade related contingencies	1,022	-	204	204
Foreign exchange related contracts				
One year or less	2,970,058	24,513	74,666	36,299
Over one year to five years	146,981	1,446	8,795	6,591
Interest/profit related contracts				
One year or less	200,000	149	649	130
Over one year to five years	1,435,790	4,210	37,257	13,813
Over five years	30,000	10	2,710	542
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	406,901	-	81,380	81,323
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	20	-	10	7
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	1,110	-	-	-
Total	5,260,680	30,328	262,807	188,292

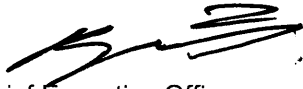
* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 30 September 2014, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the financial third quarter ended on that date had been prepared from the Bank's accounting and other records and nothing has come to our attention that causes us to believe that the condensed interim financial statements are not presented fairly in all material aspects in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities and Bank Negara Malaysia Guidelines.

For and on behalf of,
Bank of America Malaysia Berhad



Chief Executive Officer
Raymond Yeoh Cheng Seong

27 OCT 2014