

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

THIRD QUARTER ENDED 30 SEPTEMBER 2013

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	<u>Note</u>	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
ASSETS			
Cash and short-term funds		1,930,251	1,327,361
Deposits and placements with banks		401,260	989
Securities held-for-trading ('HFT')	7	874,077	605,456
Securities available-for-sale ('AFS')	8	104,678	120,902
Loans, advances and financing	9	134,328	176,880
Other assets	10	14,194	699
Derivative assets		28,114	4,384
Tax recoverable		-	2,396
Statutory deposits with Bank Negara Malaysia		2,300	2,300
Property, plant and equipment	12	4,777	7,809
TOTAL ASSETS		<u>3,493,979</u>	<u>2,249,176</u>
LIABILITIES			
Deposits from customers	15	2,048,255	1,134,114
Deposits and placements of banks and other financial institutions	16	873,831	577,653
Bills and acceptances payable		15,947	22,249
Other liabilities	17	11,410	9,798
Derivative liabilities		27,454	5,145
Deferred taxation	18	1,316	1,758
Taxation		545	-
TOTAL LIABILITIES		<u>2,978,758</u>	<u>1,750,717</u>
EQUITY			
Share capital		135,800	135,800
Reserves		379,421	362,659
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>515,221</u>	<u>498,459</u>
TOTAL LIABILITIES AND EQUITY		<u>3,493,979</u>	<u>2,249,176</u>
COMMITMENTS AND CONTINGENCIES	32	<u>3,487,809</u>	<u>2,576,447</u>
CAPITAL ADEQUACY	31		
Core equity I capital ratio		56.209%	N/A
Tier I capital ratio		56.209%	59.027%
Total capital ratio		<u>56.238%</u>	<u>59.091%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2013

		Current financial third quarter ended 30.09.2013 RM'000	(Restated) Preceding financial third quarter ended 30.09.2012 RM'000
	Note		
Interest income	19	65,974	33,316
Interest expense	20	(15,427)	(10,811)
Net interest income		50,547	22,505
Other operating income	21	8,276	16,751
Net income		58,823	39,256
Other operating expenses	22	(36,821)	(33,165)
Profit before allowance		22,002	6,091
Write back on loans, advances and financing	23	386	586
Profit before taxation		22,388	6,677
Taxation		(5,614)	(2,274)
Net profit for the period		16,774	4,403
Other comprehensive (loss)/income:			
<u>Items that may be reclassified subsequently</u>			
<u>to profit or loss:</u>			
Net loss on revaluation of securities available-for-sale		(16)	6
Income tax relating to items that may be reclassified		4	(1)
Other comprehensive income, net of tax		(12)	5
Total comprehensive income for the period		16,762	4,408
Earnings per share (sen)		12.35	3.24

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2013

	<u>Share capital</u> RM'000	<u>Non distributable Statutory reserves</u> RM'000	<u>Fair value reserve</u> RM'000	<u>Distributable Retained profit</u> RM'000	<u>Total</u> RM'000
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>
At 1 January 2012	135,800	126,373	1,892	226,155	490,220
Total comprehensive income for the financial period	-	-	5	4,403	4,408
At 30 September 2012	<u>135,800</u>	<u>126,373</u>	<u>1,897</u>	<u>230,558</u>	<u>494,628</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2013

	Current financial third quarter ended <u>30.09.2013</u> RM'000	(Restated) Preceding financial third quarter ended <u>30.09.2012</u> RM'000
Profit before taxation	22,388	6,677
Adjustments for non-cash items	238	5,075
Operating profit before working capital changes	<u>22,626</u>	<u>11,752</u>
Changes in working capital:		
Net changes in operating assets	(663,108)	(360,254)
Net changes in operating liabilities	1,227,938	814,066
Income tax paid	(3,111)	(3,622)
Net cash generated from operating activities	<u>584,345</u>	<u>461,942</u>
Net cash generated from / (used in) investing activities	18,545	(84,691)
Net change in cash and cash equivalents	<u>602,890</u>	<u>377,251</u>
Cash and cash equivalents at beginning of the year	<u>1,327,361</u>	<u>1,279,956</u>
Cash and cash equivalents at the end of the period	<u><u>1,930,251</u></u>	<u><u>1,657,207</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 2012. 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 2012.

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 2012 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 2013, other than the additional interest income of RM11,377,606 recognised on full settlement of a restructured loan.

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 2013.

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

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
Malaysian Government Securities	674,540	603,979
Bank Negara Malaysia Bills	199,537	1,477
	<u>874,077</u>	<u>605,456</u>

8 SECURITIES AVAILABLE-FOR-SALE

Money market instruments:
Unquoted:

Bank Negara Malaysia Bills	99,919	116,143
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Unquoted securities in Malaysia:

Shares	4,744	4,744
Bonds	15	15
	<u>104,678</u>	<u>120,902</u>

9 LOANS, ADVANCES AND FINANCING

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

At amortised cost:

Overdrafts	34,646	581
Term loans – factoring receivables	7,405	20,507
Claims on customers under acceptance credits	50,300	41,269
Staff loans	1,061	1,223
Revolving advances	40,112	95,441
Bills discounted	-	16,994
Real estate loans	1,933	2,244

Gross loans, advances and financing	135,457	178,259
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Allowance for losses on loans, advances and financing:

- Individual assessment	(810)	(770)
- Collective assessment	(319)	(609)

Total net loans, advances and financing	<u>134,328</u>	<u>176,880</u>
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EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	135,457	138,696
India	-	39,563
	<u>135,457</u>	<u>178,259</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	125,513	124,041
Domestic banking financial institutions	20	1,256
Domestic non-banking financial institutions	6,930	9,932
Individuals	2,994	3,467
Foreign entities	-	39,563
	<u>135,457</u>	<u>178,259</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	855	912
- Other fixed rate loans	98,023	164,101
Variable rate		
- BLR plus	36,579	2,825
- Cost plus	-	10,421
	<u>135,457</u>	<u>178,259</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	149	181
Purchase of landed property (residential)	2,788	3,148
Personal use	20	56
Purchase of consumer durables	37	82
Working capital	132,463	174,792
	<u>135,457</u>	<u>178,259</u>

EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	125,312	161,139
One year to three years	7,861	14,406
Three to five years	772	621
Over five years	1,512	2,093
	<u>135,457</u>	<u>178,259</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	952	891
Classified as impaired during the financial period/ year	177	157
Interest income recognised during the financial period/ year	49	60
Amount recovered during the financial period/ year	(141)	(116)
Reclassified as performing	(46)	(40)
At end of financial period/ year	<u>991</u>	<u>952</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.73%</u>	<u>0.53%</u>
(h) Movements in allowance for impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	609	1,129
Write back made during the financial period/ year	(290)	(520)
At end of financial period/ year	<u>319</u>	<u>609</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.24%</u>	<u>0.34%</u>

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EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
(i) Movements in allowance for impaired loans, advances and financing are as follows: (continued)		
<u>Individual assessment allowance</u>		
At 1 January	770	760
Allowance made during the financial period/ year	163	68
Write back made during the financial period/ year	(123)	(58)
At end of financial period/ year	<u>810</u>	<u>770</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>991</u>	<u>952</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	991	943
Other purpose	-	9
	<u>991</u>	<u>952</u>

10 OTHER ASSETS

Other receivables	13,938	404
Deposits	32	32
Prepayments	224	263
	<u>14,194</u>	<u>699</u>

EXPLANATORY NOTES

11 PRE-ACQUISITION PROFITS

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

12 PROPERTY, PLANT AND EQUIPMENT

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

13 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.

14 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.

15 DEPOSITS FROM CUSTOMERS

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
(a) By type of deposit:		
Demand deposits	945,253	751,162
Saving deposits	259	254
Fixed deposits	1,102,743	382,698
	<u>2,048,255</u>	<u>1,134,114</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	1,016,985	375,995
Six months to one year	83,625	205
One year to five years	1,904	6,283
More than five years	229	215
	<u>1,102,743</u>	<u>382,698</u>
(c) By type of customers:		
Business enterprises	2,038,103	1,123,072
Individuals	8,596	9,922
Others	1,556	1,120
	<u>2,048,255</u>	<u>1,134,114</u>

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EXPLANATORY NOTES

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2013</u> RM'000	<u>31.12.2012</u> RM'000
Licensed banks	859,683	532,157
Other financial institutions	14,148	45,496
	<u>873,831</u>	<u>577,653</u>

17 OTHER LIABILITIES

Unearned discount on loans, advances and financing	160	40
Other payables	9,838	7,280
Accruals	1,412	2,478
	<u>11,410</u>	<u>9,798</u>

18 DEFERRED TAXATION

Deferred tax asset	(319)	(497)
Deferred tax liabilities	1,635	2,255
	<u>1,316</u>	<u>1,758</u>

19 INTEREST INCOME

	Current financial third quarter ended <u>30.09.2013</u> RM'000	Preceding financial third quarter ended <u>30.09.2012</u> RM'000
Loans, advances and financing	15,966	4,044
Money at call and deposit placements with banks and other financial institutions	33,312	25,167
Securities available-for-sale	2,796	1,884
Securities held-for-trading	13,899	2,221
Others	1	-
	<u>65,974</u>	<u>33,316</u>

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EXPLANATORY NOTES

20 INTEREST EXPENSE

	Current financial third quarter ended <u>30.09.2013</u> RM'000	Preceding financial third quarter ended <u>30.09.2012</u> RM'000
Deposits and placement of bank and other financial institutions	963	288
Deposits from customers	14,463	10,482
Others	1	41
	<u>15,427</u>	<u>10,811</u>

21 OTHER OPERATING INCOME

<u>Fee income</u>		
Commission	511	535
Service charges/fees	2,739	3,434
Guarantee fees	415	564
Other fee income	1,013	496
	<u>4,678</u>	<u>5,029</u>
<u>Gross dividend income</u>		
Securities available-for-sale	110	13
<u>Losses from securities held-for-trading</u>		
Net loss from sale of securities held-for-trading	(3,459)	(1,705)
Unrealised revaluation loss on securities held for trading	(1,201)	(774)
<u>Unrealised gain/(loss) on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	1,417	(3,037)
<u>Other income</u>		
Realised foreign exchange gain	6,729	17,159
Others	2	66
	<u>8,276</u>	<u>16,751</u>

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EXPLANATORY NOTES

22 OTHER OPERATING EXPENSES

	Current financial third quarter ended <u>30.09.2013</u> RM'000	(Restated) Preceding financial third quarter ended <u>30.09.2012</u> RM'000
Personnel costs	13,018	10,673
Establishment costs	7,522	8,329
Marketing expenses	222	358
Administration and general expenses	16,059	13,805
	<u>36,821</u>	<u>33,165</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	3,601	3,543
Pension – cost – defined contribution plan – EPF	1,904	1,633
Communication expenses	2,673	2,274
Shared administrative support expenses	<u>10,592</u>	<u>9,848</u>

23 WRITE BACK ON LOANS, ADVANCES AND FINANCING

	Current financial third quarter ended <u>30.09.2013</u> RM'000	(Restated) Preceding financial third quarter ended <u>30.09.2012</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- made during the financial period	(163)	(35)
- written back during the financial period	123	51
Collective assessment allowance		
- written back during the financial period	290	512
Bad debts on loans, advances and financing:		
- recovered	145	58
- written off	(9)	-
	<u>386</u>	<u>586</u>

EXPLANATORY NOTES

24 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

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

25 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Bank disposed unquoted shares available-for-sale resulting in realised gains of RM1,884,180 .

There were no other 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 2013 which has not been disclosed in the audited financial statements for the financial year ended 31 December 2012.

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 2013.

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.

<u>30.09.2013</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	1,917,647	-	-	-	-	12,604	-	1,930,251
Deposits and placements with banks	-	401,260	-	-	-	-	-	401,260
Securities held-for-trading	-	-	-	-	-	-	874,077	874,077
Securities available-for-sale	99,919	-	-	-	-	4,759	-	104,678
Loans, advances and financing	75,055	50,041	216	8,633	1,512	(1,129) [^]	-	134,328
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Other assets	-	-	-	-	-	2,841	11,353	14,194
Derivative assets	-	-	-	-	-	-	28,114	28,114
Property, plant and equipment	-	-	-	-	-	4,777	-	4,777
Total assets	2,092,621	451,301	216	8,633	1,512	26,152	913,544	3,493,979

[^] 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)

30.09.2013

Liabilities

Deposits from customers
Deposits and placements of banks
and other financial institutions
Bills and acceptances payable
Other liabilities
Derivative liabilities
Deferred tax liabilities
Taxation

	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
	683,763	314,043	419,288	455	-	630,706	-	2,048,255
	866,436	-	-	-	-	7,395	-	873,831
	-	-	-	-	-	15,947	-	15,947
	-	-	-	-	-	8,482	2,928	11,410
	-	-	-	-	-	-	27,454	27,454
	-	-	-	-	-	1,316	-	1,316
	-	-	-	-	-	545	-	545
Total liabilities	1,550,199	314,043	419,288	455	-	664,391	30,382	2,978,758
On-balance sheet - interest rate gap	542,422	137,258	(419,072)	8,178	1,512			

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.12.2012</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	1,313,523	-	-	-	-	13,838	-	1,327,361
Deposits and placements with banks	-	989	-	-	-	-	-	989
Securities held-for-trading	-	-	-	-	-	-	605,456	605,456
Securities available-for-sale	49,881	36,509	29,753	-	-	4,759	-	120,902
Loans, advances and financing	14,838	97,106	49,194	15,027	2,094	(1,379) [^]	-	176,880
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Other assets	-	-	-	-	-	699	-	699
Derivative assets	-	-	-	-	-	-	4,384	4,384
Property, plant and equipment	-	-	-	-	-	7,809	-	7,809
Tax recoverable	-	-	-	-	-	2,396	-	2,396
Total assets	1,378,242	134,604	78,947	15,027	2,094	30,422	609,840	2,249,176

[^] 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)

31.12.2012

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	540,681	58,975	3,274	1,281	-	529,903	-	1,134,114
Deposits and placements of banks and other financial institutions	500,925	64,364	-	-	-	12,364	-	577,653
Bills and acceptances payable	-	-	-	-	-	22,249	-	22,249
Other liabilities	-	-	-	-	-	7,961	1,837	9,798
Derivative liabilities	-	-	-	-	-	-	5,145	5,145
Deferred tax liabilities	-	-	-	-	-	1,758	-	1,758
Total liabilities	1,041,606	123,339	3,274	1,281	-	574,235	6,982	1,750,717
On-balance sheet - interest rate gap	336,636	11,265	75,673	13,746	2,094			

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:

	30.09.2013				
	MYR	USD	GBP	EUR	AUD
	%	%	%	%	%
<u>Financial assets</u>					
Cash and short-term funds	2.82	0.20	-	-	2.37
Deposits and placements with banks	3.10	-	-	-	-
Securities held-for-trading	3.67	-	-	-	-
Securities available-for-sale	2.94	-	-	-	-
Loans, advances and financing	2.85	0.86	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>					
Deposits from customers	2.89	0.16	-	-	2.00
Deposits and placements of banks and other financial institutions	2.61	0.09	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31.12.2012				
	MYR	USD	GBP	EUR	AUD
	%	%	%	%	%
<u>Financial assets</u>					
Cash and short-term funds	3.00	0.05	0.40	-	2.90
Deposits and placements with banks	-	-	0.40	-	-
Securities held-for-trading	3.76	-	-	-	-
Securities available-for-sale	3.04	-	-	-	-
Loans, advances and financing	4.94	1.17	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>					
Deposits from customers	2.64	0.15	0.33	-	2.38
Deposits and placements of banks and other financial institutions	2.55	0.17	-	-	-
	<u> </u>	<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 2013 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 2013 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.

<u>30.09.2013</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	1,621,596	292,788	1,733	3,299	4,983	5,852	1,930,251
Deposits and placements with banks	401,260	-	-	-	-	-	401,260
Securities held-for-trading	874,077	-	-	-	-	-	874,077
Securities available-for-sale	104,678	-	-	-	-	-	104,678
Loans, advances and financing [^]	131,274	3,054	-	-	-	-	134,328
Other assets [*]	2,328	11,610	-	-	-	-	13,938
Derivative assets	28,114	-	-	-	-	-	28,114
Statutory deposit with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>3,165,627</u>	<u>307,452</u>	<u>1,733</u>	<u>3,299</u>	<u>4,983</u>	<u>5,852</u>	<u>3,488,946</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>30.09.2013</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Liabilities</u>							
Deposits from customers	1,624,194	413,543	314	2,442	4,722	3,040	2,048,255
Deposits and placements of banks and other financial institutions	19,397	854,434	-	-	-	-	873,831
Bills and acceptances payable	14,750	1,197	-	-	-	-	15,947
Other liabilities [@]	6,017	2,941	813	42	25	-	9,838
Derivative liabilities	27,454	-	-	-	-	-	27,454
	<u>1,691,812</u>	<u>1,272,115</u>	<u>1,127</u>	<u>2,484</u>	<u>4,747</u>	<u>3,040</u>	<u>2,975,325</u>
Currency gap	<u>1,473,815</u>	<u>(964,663)</u>	<u>606</u>	<u>815</u>	<u>236</u>	<u>2,812</u>	

[@] This represents other payables.

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2012</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	1,021,915	287,787	1,936	3,991	4,647	7,085	1,327,361
Deposits and placements with banks	-	-	-	989	-	-	989
Securities held-for-trading	605,456	-	-	-	-	-	605,456
Securities available-for-sale	120,902	-	-	-	-	-	120,902
Loans, advances and financing [^]	97,095	79,785	-	-	-	-	176,880
Other assets [*]	31	373	-	-	-	-	404
Derivative assets	4,384	-	-	-	-	-	4,384
Statutory deposit with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>1,852,083</u>	<u>367,945</u>	<u>1,936</u>	<u>4,980</u>	<u>4,647</u>	<u>7,085</u>	<u>2,238,676</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>31.12.2012</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	826,134	295,780	809	3,778	4,613	3,000	1,134,114
Deposits and placements of banks and other financial institutions	56,732	520,880	-	-	-	41	577,653
Bills and acceptances payable	21,140	1,109	-	-	-	-	22,249
Other liabilities [@]	4,547	1,837	821	60	-	15	7,280
Derivative liabilities	5,145	-	-	-	-	-	5,145
	<u>913,698</u>	<u>819,606</u>	<u>1,630</u>	<u>3,838</u>	<u>4,613</u>	<u>3,056</u>	<u>1,746,441</u>

Currency gap

938,385

(451,661)

306

1,142

34

4,029

[@] This represents other payables.

EXPLANATORY NOTES

31 CAPITAL ADEQUACY

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

	<u>30.09.2013</u> RM'000	<u>31.12.2012</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	232,105	232,105
Other disclosed reserves		
- Statutory reserve fund	128,357	128,357
- Unrealised gains and losses on available-for-sale financial instruments	2,185	-
	<u>498,447</u>	<u>496,262</u>
Less: regulatory adjustments		
- Deferred tax assets	-	-
- 55% of cumulative gains of available-for-sale financial instruments	(1,203)	-
Total CET I and Tier I capital	<u>497,244</u>	<u>496,262</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	<u>257</u>	<u>539</u>
Total capital	<u>497,501</u>	<u>496,801</u>

* Excludes collective assessment allowance on impaired loans, advances and financing restricted from Tier II Capital of the Bank of RM62,129 (31.12.2012: RM70,350).

Capital ratios

CET I capital ratio	56.209%	N/A
Tier I capital ratio	56.209%	59.027%
Total capital ratio	<u>56.238%</u>	<u>59.091%</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.

The comparative capital adequacy ratios and total capital are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework ("RWCAF") (Basel II).

EXPLANATORY NOTES

31 CAPITAL ADEQUACY (CONTINUED)

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

		30.09.2013		31.12.2012	
		<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%	2,125,043	-	1,142,835	-
	20%	346,112	69,222	349,029	69,806
	35%	535	187	624	218
	50%	36,153	18,077	28,558	14,279
	75%	366	275	610	458
	100%	284,340	284,340	264,125	264,125
		<u>2,792,549</u>	<u>372,101</u>	<u>1,785,781</u>	<u>348,886</u>
(ii)	Market Risk	-	401,812	-	396,945
(iii)	Operational Risk	-	110,725	-	94,904
		<u>2,792,549</u>	<u>884,638</u>	<u>1,785,781</u>	<u>840,735</u>

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:

30.09.2013 <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	47,677	-	47,677	43,290
Transaction related contingent items	29,538	-	14,769	11,482
Short term self liquidating trade related contingencies	1,369	-	274	274
Foreign exchange related contracts				
- One year or less	2,858,944	23,168	52,162	24,058
- Over one year to five years	166,091	1,635	10,010	7,099
Other commitments, such as formal standby facilities and credit lines with an original maturity of				
- up to one year	383,081	-	76,616	76,616
- more than one year	18	-	9	5
Miscellaneous commitments and contingencies	1,091	-	-	-
Total	3,487,809	24,803	201,517	162,824

31.12.2012 <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	52,208	-	52,208	47,021
Transaction related contingent items	22,976	-	11,488	9,629
Short term self liquidating trade related contingencies	1,438	-	287	171
Foreign exchange related contracts				
- One year or less	2,175,436	3,966	18,039	14,523
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	324,389	-	64,878	64,878
Total	2,576,447	3,966	146,900	136,222

* 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 30 September 2013, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the third quarter ended on that date had been prepared from the Bank's accounting and other records and nothing has come to our attention that causes us to believe that the condensed interim financial statements are not presented fairly in all material aspects in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities and Bank Negara Malaysia Guidelines.

For and on behalf of,
Bank of America Malaysia Berhad



Chief Finance Officer
Divyesh Subhash Shah

23 October 2013