

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2014

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	<u>Note</u>	<u>31.03.2014</u> RM'000	<u>31.12.2013</u> RM'000
ASSETS			
Cash and short-term funds		1,293,374	2,513,159
Deposits and placements with banks		1,194	-
Securities held-for-trading ('HFT')	7	1,256,670	573,520
Securities available-for-sale ('AFS')	8	52,897	87,775
Loans, advances and financing	9	237,658	112,654
Other assets	10	4,279	6,470
Derivative assets		22,608	31,905
Tax recoverable		4,249	4,174
Deferred taxation	18	-	285
Statutory deposits with Bank Negara Malaysia		2,300	2,300
Property, plant and equipment	12	8,722	7,941
TOTAL ASSETS		<u>2,883,951</u>	<u>3,340,183</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	15	1,460,744	1,888,331
Deposits and placements of banks and other financial institutions	16	832,597	877,854
Bills and acceptances payable		32,684	19,111
Other liabilities	17	21,922	25,086
Derivative liabilities		25,404	22,156
Deferred taxation	18	189	-
TOTAL LIABILITIES		<u>2,373,540</u>	<u>2,832,538</u>
Share capital		135,800	135,800
Reserves		374,611	371,845
Shareholders' funds		<u>510,411</u>	<u>507,645</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>2,883,951</u>	<u>3,340,183</u>
COMMITMENTS AND CONTINGENCIES	32	<u>13,080,308</u>	<u>5,260,680</u>
CAPITAL ADEQUACY	31		
Core equity I ("CET I") capital ratio		47.638%	53.417%
Tier I capital ratio		47.638%	53.417%
Total capital ratio		<u>47.734%</u>	<u>53.444%</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2014

	<u>Note</u>	Current financial first quarter ended <u>31.03.2014</u> RM'000	Preceding financial first quarter ended <u>31.03.2013</u> RM'000
Interest income	19	24,247	13,054
Interest expense	20	(5,847)	(3,441)
Net interest income		<u>18,400</u>	<u>9,613</u>
Other operating income	21	2,647	9,290
Net income		<u>21,047</u>	<u>18,903</u>
Other operating expenses	22	(16,601)	(11,007)
Profit before allowance		4,446	7,896
Losses on loans, advances and financing	23	(758)	(120)
Profit before taxation		3,688	7,776
Taxation		(935)	(2,013)
Net profit for the period		<u>2,753</u>	<u>5,763</u>
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		17	(2)
- Income tax affects		(4)	1
Other comprehensive income/(loss), net of tax		<u>13</u>	<u>(1)</u>
Total comprehensive income for the period		<u><u>2,766</u></u>	<u><u>5,762</u></u>
Earnings per share (sen)			
- Basic / Diluted		<u><u>2.03</u></u>	<u><u>4.24</u></u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2014

	<u>Non distributable</u>			<u>Distributable</u>	
	<u>Share capital</u>	<u>Statutory reserves</u>	<u>Available- for-sale reserve</u>	<u>Retained profit</u>	<u>Total</u>
	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	-	-	13	2,753	2,766
At 31 March 2014	<u>135,800</u>	<u>130,949</u>	<u>1,030</u>	<u>242,632</u>	<u>510,411</u>
At 1 January 2013	135,800	128,357	2,197	232,105	498,459
Total comprehensive income for the financial period	-	-	(1)	5,763	5,762
At 31 March 2013	<u>135,800</u>	<u>128,357</u>	<u>2,196</u>	<u>237,868</u>	<u>504,221</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2014

	Current financial first quarter ended <u>31.03.2014</u> RM'000	Preceding financial first quarter ended <u>31.03.2013</u> RM'000
Profit before taxation	3,688	7,776
Adjustments for non-cash items	12,450	(2,190)
Operating profit before working capital changes	<u>16,138</u>	<u>5,586</u>
Changes in working capital:		
Net changes in operating assets	(809,849)	301,703
Net changes in operating liabilities	(459,187)	(408,001)
Income tax paid	(540)	(777)
Net cash used in operating activities	<u>(1,253,438)</u>	<u>(101,489)</u>
Net cash generated from / (used in) investing activities	33,653	(102,451)
Net change in cash and cash equivalents	<u>(1,219,785)</u>	<u>(203,940)</u>
Cash and cash equivalents at beginning of the year	2,513,159	1,327,361
Cash and cash equivalents at the end of the period	<u><u>1,293,374</u></u>	<u><u>1,123,421</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 first quarter ended 31 March 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 first quarter ended 31 March 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 first quarter under review.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

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

	<u>31.03.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Malaysian Government Securities	1,179,837	199,499
Malaysian Treasury Bills	69,858	-
Bank Negara Malaysia Bills	6,975	374,021
	<u>1,256,670</u>	<u>573,520</u>

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

<u>Money market instruments:</u>		
Bank Negara Malaysia Bills	49,902	64,831
Malaysian Treasury Bills	-	19,949
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>52,897</u>	<u>87,775</u>

9 LOANS, ADVANCES AND FINANCING

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

At amortised cost:		
Overdrafts	76,480	34,576
Term loans – factoring receivables	7,926	6,465
Claims on customers under acceptance credits	51,695	20,700
Staff loans	1,026	1,067
Revolving advances	100,670	49,132
Real estate loans	1,782	1,874
	<u>239,579</u>	<u>113,814</u>
Gross loans, advances and financing		
Allowance for losses on loans, advances and financing:		
- Individual assessment	(843)	(831)
- Collective assessment	(1,078)	(329)
	<u>237,658</u>	<u>112,654</u>
Total net loans, advances and financing		

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2014</u> RM'000	<u>31.12.2013</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	219,984	113,814
India	19,595	-
	<u>239,579</u>	<u>113,814</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	211,948	104,774
Domestic non-banking financial institutions	4,503	5,386
Government and statutory bodies	725	713
Individuals	2,808	2,941
Foreign entities	19,595	-
	<u>239,579</u>	<u>113,814</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	818	836
- Other fixed rate loans	192,250	105,134
Variable rate		
- BLR plus	1,782	3,104
- Cost plus	44,729	4,740
	<u>239,579</u>	<u>113,814</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	128	139
Purchase of landed property (residential)	2,600	2,710
Personal use	50	59
Purchase of consumer durables	30	33
Working capital	236,771	110,873
	<u>239,579</u>	<u>113,814</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2014</u> RM'000	<u>31.12.2013</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	229,138	104,584
One year to three years	7,650	6,333
Three to five years	1,402	1,467
Over five years	1,389	1,430
	<u>239,579</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	13	203
Interest income recognised during the financial period/ year	15	66
Amount recovered during the financial period/ year	(50)	(172)
Reclassified as non-impaired	-	(46)
At end of financial period/ year	<u>981</u>	<u>1,003</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.41%</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	749	-
Write back made during the financial period/ year	-	(280)
At end of financial period/ year	<u>1,078</u>	<u>329</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.45%</u>	<u>0.29%</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2014</u> RM'000	<u>31.12.2013</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	831	770
Allowance made during the financial period/ year	23	192
Write back made during the financial period/ year	(11)	(131)
At end of financial period/ year	<u>843</u>	<u>831</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>981</u>	<u>1,003</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>981</u>	<u>1,003</u>

10 OTHER ASSETS

Other receivables	4,186	6,430
Deposits	41	37
Prepayments	52	3
	<u>4,279</u>	<u>6,470</u>

EXPLANATORY NOTES

11 PRE-ACQUISITION PROFITS

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

14 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

15 DEPOSITS FROM CUSTOMERS

	<u>31.03.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	1,089,509	1,205,913
Saving deposits	160	166
Fixed deposits	371,075	682,252
	<u>1,460,744</u>	<u>1,888,331</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	266,032	593,892
Six months to one year	102,976	86,075
One year to five years	1,838	2,054
More than five years	229	231
	<u>371,075</u>	<u>682,252</u>
(c) By type of customers:		
Business enterprises	1,449,449	1,877,274
Individuals	9,377	9,515
Others	1,918	1,542
	<u>1,460,744</u>	<u>1,888,331</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>31.03.2014</u> RM'000	<u>31.12.2013</u> RM'000
Licensed banks	818,242	863,596
Other financial institutions	14,355	14,258
	<u>832,597</u>	<u>877,854</u>

17 OTHER LIABILITIES

Unearned discount on loans, advances and financing	59	53
Other payables	18,482	18,208
Accruals	3,381	6,825
	<u>21,922</u>	<u>25,086</u>

18 DEFERRED TAXATION

Deferred tax asset	932	1,585
Deferred tax liabilities	(1,121)	(1,300)
	<u>(189)</u>	<u>285</u>

19 INTEREST INCOME

	Current financial first quarter ended <u>31.03.2014</u> RM'000	Preceding financial first quarter ended <u>31.03.2013</u> RM'000
Loans, advances and financing	1,181	1,613
Money at call and deposit placements with banks and other financial institutions	12,393	8,482
Securities available-for-sale	393	1,235
Securities held-for-trading	10,280	1,724
	<u>24,247</u>	<u>13,054</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

20 INTEREST EXPENSE

	Current financial first quarter ended <u>31.03.2014</u> RM'000	Preceding financial first quarter ended <u>31.03.2013</u> RM'000
Deposits and placement of bank and other financial institutions	297	301
Deposits from customers	5,547	3,140
Others	3	-
	<u>5,847</u>	<u>3,441</u>

21 OTHER OPERATING INCOME

<u>Fee income</u>		
Commission	81	240
Service charges/fees	1,009	906
Guarantee fees	269	155
Other fee income	176	263
	<u>1,535</u>	<u>1,564</u>
<u>(Losses)/gains from securities held-for-trading</u>		
Net (loss)/gain from sale of securities held-for-trading	(2,440)	779
Unrealised revaluation gain on securities held for trading	1,317	605
<u>Unrealised (loss)/gain on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	(12,670)	1,721
Interest rate and cross currency swaps	125	-
<u>Realised gain on derivatives</u>		
Interest rate and cross currency swaps	98	-
<u>Other income</u>		
Realised foreign exchange gain	14,682	4,619
Others	-	2
	<u>2,647</u>	<u>9,290</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

22 OTHER OPERATING EXPENSES

	Current financial first quarter ended <u>31.03.2014</u> RM'000	Preceding financial first quarter ended <u>31.03.2013</u> RM'000
Personnel costs	8,126	4,272
Establishment costs	1,651	2,152
Marketing expenses	63	65
Administration and general expenses	6,761	4,518
	<u>16,601</u>	<u>11,007</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	844	1,214
Pension – cost – defined contribution plan – EPF	1,647	855
Communication expenses	809	511
Shared administrative support expenses	4,915	3,161
	<u> </u>	<u> </u>

23 LOSSES ON LOANS, ADVANCES AND FINANCING

Allowance for loans, advances and financing:

Individual assessment allowance		
- made during the financial period	23	70
- written back during the financial period	(11)	(33)

Collective assessment allowance

- made during the financial period	749	120
------------------------------------	-----	-----

Bad debts on loans, advances and financing:

- recovered	(3)	(46)
- written off	-	9

	<u>758</u>	<u>120</u>
--	------------	------------

EXPLANATORY NOTES

24 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

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

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 first quarter ended 31 March 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 first quarter reported as compared with the preceding financial first quarter, which have not been disclosed in these condensed interim financial statement.

29 There were no dividends paid or declared for the financial first quarter ended 31 March 2014.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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>31.03.2014</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	1,244,847	-	-	-	-	48,527	-	1,293,374
Deposits and placements with banks	-	1,194	-	-	-	-	-	1,194
Securities held-for-trading ('HFT')	-	-	-	-	-	-	1,256,670	1,256,670
Securities available-for-sale ('AFS')	49,902	-	-	-	-	2,995	-	52,897
Loans, advances and financing	172,385	56,520	232	9,052	1,390	(1,921)^	-	237,658
Other assets	-	-	-	-	-	1,148	3,131	4,279
Derivative assets	-	-	-	-	-	-	22,608	22,608
Tax recoverable	-	-	-	-	-	4,249	-	4,249
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Property, plant and equipment	-	-	-	-	-	8,722	-	8,722
 Total assets	 1,467,134	 57,714	 232	 9,052	 1,390	 66,020	 1,282,409	 2,883,951

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

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

<u>31.03.2014</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	825,168	33,822	20,504	229	-	581,021	-	1,460,744
Deposits and placements of banks and other financial institutions	826,376	-	-	-	-	6,221	-	832,597
Bills and acceptances payable	-	-	-	-	-	32,684	-	32,684
Other liabilities	-	-	-	-	-	8,780	13,142	21,922
Derivative liabilities	-	-	-	-	-	-	25,404	25,404
Deferred tax liabilities	-	-	-	-	-	189	-	189
Total liabilities	<u>1,651,544</u>	<u>33,822</u>	<u>20,504</u>	<u>229</u>	<u>-</u>	<u>628,895</u>	<u>38,546</u>	<u>2,373,540</u>
On-balance sheet - interest rate gap	<u>(184,410)</u>	<u>23,892</u>	<u>(20,272)</u>	<u>8,823</u>	<u>1,390</u>			

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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	<u>2,671,185</u>	<u>19,807</u>	<u>106</u>	<u>7,800</u>	<u>1,431</u>	<u>31,732</u>	<u>608,122</u>	<u>3,340,183</u>

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

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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:

	31.03.2014			
	MYR	USD	GBP	AUD
	%	%	%	%
<u>Financial assets</u>				
Cash and short-term funds	3.03	-	-	2.38
Deposits and placements with banks	-	-	0.45	-
Securities held-for-trading ('HFT')	4.24	-	-	-
Securities available-for-sale ('AFS')	2.94	-	-	-
Loans, advances and financing	4.07	0.78	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>				
Deposits from customers	2.65	0.16	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>
	31.12.2013			
	MYR	USD	GBP	AUD
	%	%	%	%
<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 31 March 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 31 March 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.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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>31.03.2014</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	1,246,103	4,645	796	438	5,530	35,862	1,293,374
Deposits and placements with banks	-	-	-	1,194	-	-	1,194
Securities held-for-trading ('HFT')	1,256,670	-	-	-	-	-	1,256,670
Securities available-for-sale ('AFS')	52,897	-	-	-	-	-	52,897
Loans, advances and financing [^]	218,124	19,534	-	-	-	-	237,658
Other assets [*]	974	3,212	-	-	-	-	4,186
Derivative assets	22,608	-	-	-	-	-	22,608
Statutory deposits with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>2,799,676</u>	<u>27,391</u>	<u>796</u>	<u>1,632</u>	<u>5,530</u>	<u>35,862</u>	<u>2,870,887</u>

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

^{*} This represents other receivables.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.03.2014</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	985,977	464,609	417	1,088	5,157	3,496	1,460,744
Deposits and placements of banks and other financial institutions	20,576	812,021	-	-	-	-	832,597
Bills and acceptances payable	27,086	5,598	-	-	-	-	32,684
Other liabilities [@]	4,157	14,189	64	52	19	1	18,482
Derivative liabilities	25,404	-	-	-	-	-	25,404
	<u>1,063,200</u>	<u>1,296,417</u>	<u>481</u>	<u>1,140</u>	<u>5,176</u>	<u>3,497</u>	<u>2,369,911</u>
Currency gap	<u>1,736,476</u>	<u>(1,269,026)</u>	<u>315</u>	<u>492</u>	<u>354</u>	<u>32,365</u>	

@ This represents other payables.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2013</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	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.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Currency risk (continued)

<u>31.12.2013</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>Liabilities</u>							
Deposits from customers	1,396,591	481,801	282	1,704	5,193	2,760	1,888,331
Deposits and placements of banks and other financial institutions	22,552	855,302	-	-	-	-	877,854
Bills and acceptances payable	18,094	1,017	-	-	-	-	19,111
Other liabilities [@]	433	17,701	4	38	32	-	18,208
Derivative liabilities	22,156	-	-	-	-	-	22,156
	<u>1,459,826</u>	<u>1,355,821</u>	<u>286</u>	<u>1,742</u>	<u>5,225</u>	<u>2,760</u>	<u>2,825,660</u>
 Currency gap	 <u>1,470,517</u>	 <u>(972,358)</u>	 <u>1,220</u>	 <u>743</u>	 <u>130</u>	 <u>1,831</u>	

[@] This represents other payables.

EXPLANATORY NOTES

31 CAPITAL ADEQUACY

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

	<u>31.03.2014</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	1,030	1,017
	<u>507,658</u>	<u>507,645</u>
Less: regulatory adjustments		
- Deferred tax assets	-	(285)
- 55% of cumulative gains of available-for-sale financial instruments	(566)	(560)
Total CET I and Tier I capital	<u>507,092</u>	<u>506,800</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	1,028	255
Total capital	<u><u>508,120</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 RM50,107 (31.12.2013: RM73,511).

Capital ratios

CET I capital ratio	47.638%	53.417%
Tier I capital ratio	47.638%	53.417%
Total capital ratio	<u><u>47.734%</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.

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

EXPLANATORY NOTES

31 CAPITAL ADEQUACY (CONTINUED)

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

		31.03.2014		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%	1,008,754	-	2,211,603	-
	20%	455,679	91,136	441,376	88,275
	35%	448	157	495	173
	50%	123,223	61,612	74,154	37,077
	75%	329	247	336	252
	100%	378,696	378,696	268,308	268,308
		<u>1,967,129</u>	<u>531,848</u>	<u>2,996,272</u>	<u>394,085</u>
(ii)	Market Risk	-	411,824	-	439,647
(iii)	Operational Risk	-	120,808	-	115,036
		<u>1,967,129</u>	<u>1,064,480</u>	<u>2,996,272</u>	<u>948,768</u>

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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:

31.03.2014 <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	49,378	-	49,378	43,532
Transaction related contingent items	32,186	-	16,093	11,906
Short term self liquidating trade related contingencies	1,540	-	308	216
Foreign exchange related contracts				
One year or less	4,152,448	11,685	61,621	30,690
Over one year to five years	159,243	1,781	9,743	7,425
Interest/profit related contracts				
One year or less	2,840,000	234	7,334	1,921
Over one year to five years	5,314,545	6,758	124,990	45,464
Over five years	120,000	469	11,269	4,742
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	409,819	-	81,964	81,907
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	24	-	12	8
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	1,125	-	-	-
Total	13,080,308	20,927	362,712	227,811

* 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

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.

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

For and on behalf of,
Bank of America Malaysia Berhad



Chief Finance Officer
Divyesh Subhash Shah