

Company No.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**HALF-YEAR ENDED 30 JUNE 2014**

**BANK OF AMERICA MALAYSIA BERHAD**  
(310983 V)

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

	<u>Note</u>	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds		1,473,158	2,513,159
Deposits and placements with banks		4,836	-
Securities held-for-trading ('HFT')	7	434,441	573,520
Securities available-for-sale ('AFS')	8	52,990	87,775
Loans, advances and financing	9	184,448	112,654
Other assets	10	9,162	6,470
Derivative assets		34,002	31,905
Tax recoverable		3,559	4,174
Deferred taxation	11	19	285
Statutory deposits with Bank Negara Malaysia		2,300	2,300
Property, plant and equipment		9,300	7,941
<b>TOTAL ASSETS</b>		<u>2,208,215</u>	<u>3,340,183</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	16	1,530,621	1,888,331
Deposits and placements of banks and other financial institutions	17	75,637	877,854
Bills and acceptances payable		24,962	19,111
Other liabilities	18	16,652	25,086
Derivative liabilities		45,301	22,156
<b>TOTAL LIABILITIES</b>		<u>1,693,173</u>	<u>2,832,538</u>
Share capital		135,800	135,800
Reserves		379,242	371,845
<b>Shareholders' funds</b>		<u>515,042</u>	<u>507,645</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>2,208,215</u>	<u>3,340,183</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	32	<u>15,471,446</u>	<u>5,260,680</u>
<b>CAPITAL ADEQUACY</b>	31		
Core equity I ("CET I") capital ratio		38.157%	53.417%
Tier I capital ratio		38.157%	53.417%
Total capital ratio		<u>38.192%</u>	<u>53.444%</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2014

	Note	Current financial half-year ended 30.06.2014 RM'000	Preceding financial half-year ended 30.06.2013 RM'000
Interest income	19	42,124	31,183
Interest expense	20	(9,354)	(7,647)
Net interest income		32,770	23,536
Other operating income	21	7,537	1,059
Net income		40,307	24,595
Other operating expenses	22	(29,652)	(21,836)
Profit before allowance		10,655	2,759
Losses on loans, advances and financing	23	(131)	247
Profit before taxation		10,524	3,006
Taxation		(3,141)	(890)
Net profit for the period		7,383	2,116
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		18	(12)
- Income tax affects		(4)	3
Other comprehensive income/(loss), net of tax		14	(9)
Total comprehensive income for the period		7,397	2,107
Earnings per share (sen)			
- Basic / Diluted		5.44	1.56

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 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>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2014	135,800	130,949	1,017	239,879	507,645
Total comprehensive income for the financial period	-	-	14	7,383	7,397
At 30 June 2014	<u>135,800</u>	<u>130,949</u>	<u>1,031</u>	<u>247,262</u>	<u>515,042</u>
At 1 January 2013	135,800	128,357	2,197	232,105	498,459
Total comprehensive income for the financial period	-	-	(9)	2,116	2,107
At 30 June 2013	<u>135,800</u>	<u>128,357</u>	<u>2,188</u>	<u>234,221</u>	<u>500,566</u>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2014**

	Current financial half-year ended <u>30.06.2014</u> RM'000	Preceding financial half-year ended <u>30.06.2013</u> RM'000
Profit before taxation	10,524	3,006
Adjustments for non-cash items	18,986	53
Operating profit before working capital changes	<u>29,510</u>	<u>3,059</u>
Changes in working capital:		
Net changes in operating assets	39,630	283,505
Net changes in operating liabilities	(1,139,365)	965,028
Income tax paid	(2,265)	(1,945)
Net cash (used in)/ generated from operating activities	<u>(1,072,490)</u>	<u>1,249,647</u>
Net cash generated from / (used in) investing activities	32,489	(29,061)
Net change in cash and cash equivalents	<u>(1,040,001)</u>	<u>1,220,586</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>1,473,158</u></u>	<u><u>2,547,947</u></u>

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**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 half-year ended 30 June 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 half-year ended 30 June 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 half-year under review.

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**EXPLANATORY NOTES**

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

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Malaysian Government Securities	274,335	199,499
Malaysian Government Islamic Bonds	10,170	-
Bank Negara Malaysia Bills	149,936	374,021
	<u>434,441</u>	<u>573,520</u>

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

<u>Money market instruments:</u>		
Bank Negara Malaysia Bills	49,995	64,831
Malaysian Treasury Bills	-	19,949
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>52,990</u>	<u>87,775</u>

**9 LOANS, ADVANCES AND FINANCING**

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

<u>At amortised cost:</u>		
Overdrafts	43,739	34,576
Term loans – factoring receivables	6,646	6,465
Claims on customers under acceptance credits	7,700	20,700
Staff loans	1,131	1,067
Revolving advances	124,892	49,132
Real estate loans	1,643	1,874
	<u>185,751</u>	<u>113,814</u>
Gross loans, advances and financing	185,751	113,814
<u>Allowance for losses on loans, advances and financing:</u>		
- Individual assessment	(786)	(831)
- Collective assessment	(517)	(329)
	<u>184,448</u>	<u>112,654</u>
Total net loans, advances and financing	184,448	112,654

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**EXPLANATORY NOTES**

**9 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>185,751</u>	<u>113,814</u>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	178,814	104,774
Domestic non-banking financial institutions	3,620	5,386
Government and statutory bodies	543	713
Individuals	2,774	2,941
	<u>185,751</u>	<u>113,814</u>
(d) Gross loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	800	836
- Other fixed rate loans	176,486	105,134
Variable rate		
- BLR plus	1,643	3,104
- Cost plus	6,822	4,740
	<u>185,751</u>	<u>113,814</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	287	139
Purchase of landed property (residential)	2,442	2,710
Personal use	18	59
Purchase of consumer durables	27	33
Working capital	182,977	110,873
	<u>185,751</u>	<u>113,814</u>



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**EXPLANATORY NOTES**

**9 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	176,578	104,584
One year to three years	7,003	6,333
Three to five years	744	1,467
Over five years	1,426	1,430
	<u>185,751</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	14	203
Interest income recognised during the financial period/ year	26	66
Amount recovered during the financial period/ year	(122)	(172)
Reclassified as non-impaired	-	(46)
At end of financial period/ year	<u>921</u>	<u>1,003</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.50%</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	188	-
Write back made during the financial period/ year	-	(280)
At end of financial period/ year	<u>517</u>	<u>329</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.28%</u>	<u>0.29%</u>

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**EXPLANATORY NOTES**

**9 LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>30.06.2014</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	15	192
Write back made during the financial period/ year	(60)	(131)
	<u>786</u>	<u>831</u>
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>921</u>	<u>1,003</u>
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>921</u>	<u>1,003</u>

**10 OTHER ASSETS**

Other receivables	9,104	6,430
Deposits	38	37
Prepayments	20	3
	<u>9,162</u>	<u>6,470</u>

**11 DEFERRED TAXATION**

Deferred tax asset	981	1,585
Deferred tax liabilities	(962)	(1,300)
	<u>19</u>	<u>285</u>

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**EXPLANATORY NOTES**

**12 PRE-ACQUISITION PROFITS**

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

**15 PURCHASE AND DISPOSAL OF QUOTED SECURITIES**

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

**16 DEPOSITS FROM CUSTOMERS**

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(a) By type of deposit:		
Demand deposits	1,156,377	1,205,913
Saving deposits	186	166
Fixed deposits	374,058	682,252
	<u>1,530,621</u>	<u>1,888,331</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	350,940	593,892
Six months to one year	21,460	86,075
One year to five years	1,432	2,054
More than five years	226	231
	<u>374,058</u>	<u>682,252</u>
(c) By type of customers:		
Business enterprises	1,522,275	1,877,274
Individuals	6,724	9,515
Others	1,622	1,542
	<u>1,530,621</u>	<u>1,888,331</u>

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**EXPLANATORY NOTES**

**17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Licensed banks	59,978	863,596
Other financial institutions	15,659	14,258
	<u>75,637</u>	<u>877,854</u>

**18 OTHER LIABILITIES**

Unearned discount on loans, advances and financing	48	53
Other payables	12,469	18,208
Accruals	4,135	6,825
	<u>16,652</u>	<u>25,086</u>

**19 INTEREST INCOME**

	Current financial half-year ended <u>30.06.2014</u> RM'000	Preceding financial half-year ended <u>30.06.2013</u> RM'000
Loans, advances and financing	2,823	3,124
Money at call and deposit placements with banks and other financial institutions	21,733	18,604
Securities available-for-sale	737	2,287
Securities held-for-trading	16,831	7,168
	<u>42,124</u>	<u>31,183</u>

**20 INTEREST EXPENSE**

Deposits and placement of bank and other financial institutions	477	633
Deposits from customers	8,874	7,014
Others	3	-
	<u>9,354</u>	<u>7,647</u>

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**EXPLANATORY NOTES**

**21 OTHER OPERATING INCOME**

	Current financial half-year ended <u>30.06.2014</u> RM'000	Preceding financial half-year ended <u>30.06.2013</u> RM'000
<u>Fee income</u>		
Commission	260	353
Service charges/fees	2,100	1,831
Guarantee fees	403	296
Other fee income	1,276	543
	<u>4,039</u>	<u>3,023</u>
<u>(Losses)/gains from securities held-for-trading</u>		
Net loss from sale of securities held-for-trading	(4,068)	(981)
Unrealised revaluation gain on securities held for trading	3,162	(1,381)
<u>Unrealised (loss)/gain on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	(23,564)	1,340
Interest rate and cross currency swaps	2,516	-
<u>Realised loss on derivatives</u>		
Interest rate and cross currency swaps	(118)	-
<u>Other income</u>		
Realised foreign exchange gain	25,568	(943)
Others	2	1
	<u>7,537</u>	<u>1,059</u>

**22 OTHER OPERATING EXPENSES**

Personnel costs	13,626	7,583
Establishment costs	3,515	4,822
Marketing expenses	137	139
Administration and general expenses	12,374	9,292
	<u>29,652</u>	<u>21,836</u>

Included in the above expenditure are the following items:

Depreciation of property, plant and equipment	1,686	2,447
Pension – cost – defined contribution plan – EPF	2,304	1,355
Communication expenses	1,534	1,694
Shared administrative support expenses	8,770	5,661

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**EXPLANATORY NOTES**

**23 LOSSES ON LOANS, ADVANCES AND FINANCING**

	Current financial half-year ended <u>30.06.2014</u> RM'000	Preceding financial half-year ended <u>30.06.2013</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- made during the financial period	15	107
- written back during the financial period	(60)	(66)
Collective assessment allowance		
- made during the financial period	188	-
- written back during the financial period	-	(199)
Bad debts on loans, advances and financing:		
- recovered	(12)	(98)
- written off	-	9
	<u>131</u>	<u>(247)</u>

**24 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD**

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

**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 half-year ended 30 June 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 half-year reported as compared with the preceding financial half-year, which have not been disclosed in these condensed interim financial statement.

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

<u>30.06.2014</u>	<u>Up to 1 month RM'000</u>	<u>&gt;1 - 3 months RM'000</u>	<u>&gt;3 - 12 months RM'000</u>	<u>&gt;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	1,437,248	-	-	-	-	35,910	-	1,473,158
Deposits and placements with banks	-	4,836	-	-	-	-	-	4,836
Securities held-for-trading ('HFT')	-	-	-	-	-	-	434,441	434,441
Securities available-for-sale ('AFS')	49,995	-	-	-	-	2,995	-	52,990
Loans, advances and financing	153,623	19,951	3,003	7,747	1,427	(1,303) <sup>^</sup>	-	184,448
Other assets	-	-	-	-	-	550	8,612	9,162
Derivative assets	-	-	-	-	-	-	34,002	34,002
Tax recoverable	-	-	-	-	-	3,559	-	3,559
Deferred tax asset	-	-	-	-	-	19	-	19
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Property, plant and equipment	-	-	-	-	-	9,300	-	9,300
<b>Total assets</b>	<b>1,640,866</b>	<b>24,787</b>	<b>3,003</b>	<b>7,747</b>	<b>1,427</b>	<b>53,330</b>	<b>477,055</b>	<b>2,208,215</b>

<sup>^</sup> 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>30.06.2014</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	820,040	41,349	20,440	226	-	648,566	-	1,530,621
Deposits and placements of banks and other financial institutions	58,992	5,072	-	-	-	11,573	-	75,637
Bills and acceptances payable	-	-	-	-	-	24,962	-	24,962
Other liabilities	-	-	-	-	-	7,461	9,191	16,652
Derivative liabilities	-	-	-	-	-	-	45,301	45,301
Total liabilities	879,032	46,421	20,440	226	-	692,562	54,492	1,693,173
On-balance sheet - interest rate gap	761,834	(21,634)	(17,437)	7,521	1,427			



EXPLANATORY NOTES

30 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Interest rate risk (continued)

31.12.2013

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	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) <sup>^</sup>	-	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

<sup>^</sup> 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)

31.12.2013

Liabilities

Deposits from customers  
Deposits and placements of banks  
and other financial institutions  
Bills and acceptances payable  
Other liabilities  
Derivative 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
	726,511	418,756	83,814	231	-	659,019	-	1,888,331
	864,507	5,053	-	-	-	8,294	-	877,854
	-	-	-	-	-	19,111	-	19,111
	-	-	-	-	-	9,889	15,197	25,086
	-	-	-	-	-	-	22,156	22,156
	1,591,018	423,809	83,814	231	-	696,313	37,353	2,832,538

On-balance sheet - interest rate gap

	1,080,167	(404,002)	(83,708)	7,569	1,431
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**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:

	30.06.2014			
	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>AUD</u>
	%	%	%	%
<u>Financial assets</u>				
Cash and short-term funds	3.04	0.08	-	2.39
Deposits and placements with banks	-	0.23	-	-
Securities held-for-trading ('HFT')	3.66	-	-	-
Securities available-for-sale ('AFS')	2.93	-	-	-
Loans, advances and financing	3.88	0.79	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Financial liabilities</u>				
Deposits from customers	2.76	0.16	-	2.00
Deposits and placements of banks and other financial institutions	2.73	0.09	-	-
	<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 end of the financial half-year are reflected in Note 31 on Capital Adequacy.

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**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 end of the financial half-year 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.

30.06.2014	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	1,270,848	188,836	811	1,391	5,620	5,652	1,473,158
Deposits and placements with banks	-	4,836	-	-	-	-	4,836
Securities held-for-trading ('HFT')	434,441	-	-	-	-	-	434,441
Securities available-for-sale ('AFS')	52,990	-	-	-	-	-	52,990
Loans, advances and financing <sup>^</sup>	164,693	19,755	-	-	-	-	184,448
Other assets*	290	8,814	-	-	-	-	9,104
Derivative assets	34,002	-	-	-	-	-	34,002
Statutory deposits with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>1,959,564</u>	<u>222,241</u>	<u>811</u>	<u>1,391</u>	<u>5,620</u>	<u>5,652</u>	<u>2,195,279</u>

<sup>^</sup> 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	<u>Currency risk (continued)</u>									
	<u>30.06.2014</u>	<u>MYR</u>	<u>USD</u>	<u>SGD</u>	<u>GBP</u>	<u>AUD</u>	<u>Others</u>	<u>Total</u>		
	<u>Liabilities</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>		
	Deposits from customers	966,561	553,971	480	278	5,506	3,825	1,530,621		
	Deposits and placements of									
	banks and other financial institutions	27,434	48,203	-	-	-	-	75,637		
	Bills and acceptances payable	19,222	5,740	-	-	-	-	24,962		
	Other liabilities <sup>@</sup>	1,590	10,463	301	85	30	-	12,469		
	Derivative liabilities	45,301	-	-	-	-	-	45,301		
		<u>1,060,108</u>	<u>618,377</u>	<u>781</u>	<u>363</u>	<u>5,536</u>	<u>3,825</u>	<u>1,688,990</u>		
	Currency gap	<u>899,456</u>	<u>(396,136)</u>	<u>30</u>	<u>1,028</u>	<u>84</u>	<u>1,827</u>			

@ This represents other payables.

EXPLANATORY NOTES

30	USE OF FINANCIAL INSTRUMENTS (CONTINUED)								
E	<u>Currency risk (continued)</u>								
	<u>31.12.2013</u>								
	<u>Assets</u>								
	Cash and short-term funds	2,119,562		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 <sup>^</sup>	112,515	139	-	-	-	-	-	112,654
	Other assets <sup>*</sup>	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>

<sup>^</sup> This represents outstanding loans, advances and financing after deducting individual assessment allowance and collective assessment allowance.

<sup>\*</sup> This represents other receivables.





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**EXPLANATORY NOTES**

**31 CAPITAL ADEQUACY**

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

	<u>30.06.2014</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	1,031	1,017
	<u>507,659</u>	<u>507,645</u>
Less: regulatory adjustments		
- Deferred tax assets	(19)	(285)
- 55% of cumulative gains of available-for-sale financial instruments	(567)	(560)
Total CET I and Tier I capital	<u>507,073</u>	<u>506,800</u>
<u>Tier II Capital</u>		
Collective assessment allowance*	458	255
Total capital	<u><u>507,531</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 RM58,990 (31.12.2013: RM73,511).

Capital ratios

CET I capital ratio	38.157%	53.417%
Tier I capital ratio	38.157%	53.417%
Total capital ratio	<u><u>38.192%</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.

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**EXPLANATORY NOTES**

**31 CAPITAL ADEQUACY (CONTINUED)**

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

		<u>30.06.2014</u>		<u>31.12.2013</u>	
		<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%	1,103,090	-	2,211,603	-
	20%	547,861	109,572	441,376	88,275
	35%	398	139	495	173
	50%	153,744	76,872	74,154	37,077
	75%	301	226	336	252
	100%	368,272	368,272	268,308	268,308
		<u>2,173,666</u>	<u>555,081</u>	<u>2,996,272</u>	<u>394,085</u>
(ii)	Market Risk	-	648,306	-	439,647
(iii)	Operational Risk	-	125,510	-	115,036
		<u>2,173,666</u>	<u>1,328,897</u>	<u>2,996,272</u>	<u>948,768</u>

Disclosures pursuant to the requirements of BNM's RWCAF (Basel II) – Disclosure Requirements (Pillar 3) in addition to the above, have been made in the Basel II Pillar 3 Report.

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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:

30.06.2014 <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	53,158	-	53,158	45,837
Transaction related contingent items	28,710	-	14,355	10,784
Short term self liquidating trade related contingencies	32,146	-	6,429	6,373
Foreign exchange related contracts				
One year or less	4,958,123	20,118	74,183	37,691
Over one year to five years	45,853	703	2,995	2,071
Interest/profit related contracts				
One year or less	3,395,000	1,986	8,973	2,889
Over one year to five years	6,384,595	10,014	165,720	59,854
Over five years	60,000	925	6,325	2,184
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	512,867	-	102,573	102,482
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	27	-	14	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	967	-	-	-
<b>Total</b>	<b>15,471,446</b>	<b>33,746</b>	<b>434,725</b>	<b>270,174</b>

\* 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	-	-	-
<b>Total</b>	<b>5,260,680</b>	<b>30,328</b>	<b>262,807</b>	<b>188,292</b>

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

For and on behalf of,  
Bank of America Malaysia Berhad



Chief Finance Officer  
Divyesh Subhash Shah

24 July 2014