

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 2012**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	<u>Note</u>	<u>30.6.2012</u> RM'000	<u>(Restated)</u> <u>31.12.2011</u> RM'000	<u>(Restated)</u> <u>01.01.2011</u> RM'000
<b>ASSETS</b>				
Cash and short-term funds		1,857,292	1,279,956	1,216,984
Deposits and placements with banks		1,193	6,006	-
Securities held-for-trading	7	40,918	-	-
Securities available-for-sale	8	85,260	54,249	118,885
Loans, advances and financing	9	86,990	187,070	295,489
Derivative assets		9,591	19,567	17,500
Other assets	10	1,705	1,147	2,225
Tax recoverable		1,983	2,334	588
Statutory deposits with Bank Negara Malaysia		1,000	1,000	900
Deferred tax assets		204	571	529
Property, plant and equipment	12	9,755	9,823	7,427
<b>TOTAL ASSETS</b>		<u>2,095,891</u>	<u>1,561,723</u>	<u>1,660,527</u>
<b>LIABILITIES</b>				
Deposits from customers	15	1,547,877	953,926	819,651
Deposits and placements of banks and other financial institutions	16	6,374	56,175	302,520
Bills and acceptances payable		28,191	37,839	37,467
Derivative liabilities		10,267	18,360	19,446
Other liabilities	17	2,662	2,522	2,284
Deferred tax liabilities		2,193	2,308	2,365
<b>TOTAL LIABILITIES</b>		<u>1,597,564</u>	<u>1,071,130</u>	<u>1,183,733</u>
<b>EQUITY</b>				
Share capital		135,800	135,800	135,800
Reserves		362,527	354,793	340,994
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		<u>498,327</u>	<u>490,593</u>	<u>476,794</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>2,095,891</u>	<u>1,561,723</u>	<u>1,660,527</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	30	<u>1,526,229</u>	<u>2,657,734</u>	<u>2,319,860</u>
<b>CAPITAL ADEQUACY</b>				
Core capital ratio		88.33%	115.16%	90.26%
Risk-weighted capital ratio		88.47%	115.39%	90.66%

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2012

		Current financial half-year ended 30.6.2012 RM'000	(Restated) Preceding financial half-year ended 30.6.2011 RM'000
	Note		
Interest income	18	21,304	17,443
Interest expense	19	(6,498)	(3,381)
Net interest income		14,806	14,062
Other operating income	20	16,589	9,486
Net income		31,395	23,548
Other operating expenses	21	(21,049)	(13,013)
Profit before allowance		10,346	10,535
Write back of losses on loans, advances and financing	22	242	1,795
Profit before taxation		10,588	12,330
Taxation		(2,853)	(2,126)
Net profit for the period		7,735	10,204
Other comprehensive (loss)/income/ (net of tax)			
Fair value reserve:			
Net change in fair value of securities available-for-sale		(2)	96
Income tax relating to change in fair value of securities-available-for-sale		1	(8)
Other comprehensive (loss)/income (net of tax)		(1)	88
Total comprehensive income for the period		7,734	10,292
Earnings per share (sen)		5.70	7.51

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

**CONDENSED INTERIM FINANCIAL STATEMENT  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2012**

	Share capital RM'000	Statutory reserves RM'000	Non distributable Fair value reserve RM'000	Regulatory reserve RM'000	Distributable Retained profit RM'000	Total RM'000
At 1 January 2012						
- as previously state	135,800	126,373	1,892	-	225,168	489,233
- effects of change in accounting policy, net of tax	-	-	-	1,360	-	1,360
As restated	135,800	126,373	1,892	1,360	225,168	490,593
Total comprehensive income for the financial period	-	-	(1)	-	7,735	7,734
At 30 June 2012	135,800	126,373	1,891	1,360	232,903	498,327
At 1 January 2011						
- as previously state	135,800	122,835	1,827	-	214,554	475,016
- effects of change in accounting policy, net of tax	-	-	-	1,778	-	1,778
As restated	135,800	122,835	1,827	1,778	214,554	476,794
Total comprehensive income for the financial period	-	-	88	-	10,204	10,292
At 30 June 2011	135,800	122,835	1,915	1,778	224,758	487,086

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENT  
UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2012

	Current financial half-year ended 30.6.2012 <u>RM'000</u>	(Restated) Preceding financial half-year ended 30.6.2011 <u>RM'000</u>
Profit before taxation	10,588	12,330
Adjustments for non-cash items	1,712	923
Operating profit before working capital changes	12,300	13,253
Changes in working capital:		
Net changes in operating assets	72,913	158,558
Net changes in operating liabilities	526,549	(117,332)
Income tax paid	(2,249)	(3,699)
Net cash generated from operating activities	609,513	50,780
Net cash (used in)/generated from investing activities	(32,177)	61,200
Net change in cash and cash equivalents	577,336	111,980
Cash and cash equivalents at beginning of the year	1,279,956	1,216,984
Cash and cash equivalents at the end of the period	<u>1,857,292</u>	<u>1,328,964</u>

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

**EXPLANATORY NOTES**

**1 BASIS OF PREPARATION**

On 19 November 2011, the Malaysian Accounting Standard Board ("MASB") issued the Malaysian Financial Reporting Standards (hereinafter known as MFRSs or the MFRS framework) for the application in the annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate. Financial Statements that are drawn up in accordance with the new MFRS framework will be equivalent to financial statements prepared by other jurisdictions which adopt the International Financial Reporting Standards ("IFRS").

The unaudited condensed interim financial statements of the Bank for the first financial quarter ended 31 March 2012 have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the MASB. In adopting the new framework, the Bank has also applied provisions in MFRS 1 "First-time adoption of MFRS" applicable to preparation of interim financial statements.

The Bank's interim condensed financial statements should be read together with the Bank's audited financial statements for the financial year ended 31 December 2011. 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 and are in compliance with the MFRS framework except as follows:

**(i) MFRS 139 – Financial Instruments: recognition and measurement**

As of 31 December 2011, the Bank maintained collective assessment allowance at 1.5% of total outstanding loans, net of individual assessment allowance, in accordance with the transitional provisions prescribed in Bank Negara Malaysia's Guidelines on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

Effective for financial periods beginning on or after 1 January 2012, BNM has removed the above transitional provision to comply with the requirements of MFRS 139 "Financial Instruments: recognition and measurement".

Under MFRS 139, loans, advances and financing which are not individually significant are collectively assessed using the Probability of Default ("PD") approach. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in the group of loans with similar credit risk characteristics for collective impairment assessment. Collective assessment allowance is estimated base on PD of the total Risk Weighted Exposure at Default. Loans identified for collective assessment are grouped and assigned a PD based on the Bank's Internal Credit Risk Ratings for borrowers. Collective assessment allowance is estimated by applying the assigned PD to the total risk weighted Exposures At Default of each group of loans.

Pursuant to Paragraph 13.1 of BNM's Guidelines on "Classification and Impairment Provisions for Loans/Financing" issued on 9 November 2011, the profit and loss impact arising from the PD approach has been reflected under Regulatory Reserve until the model is validated and back-tested by independent external party.

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

**EXPLANATORY NOTES**

**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 2011 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 2012.

**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 2012.

**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.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

7 SECURITIES HELD-FOR-TRADING

	<u>30.6.2012</u> RM'000	<u>31.12.2011</u> RM'000
Malaysian Government Securities	40,918	-

8 SECURITIES AVAILABLE-FOR-SALE

Money market instruments:

Unquoted:

Bank Negara Malaysia Bills	80,904	49,893
<u>Unquoted securities in Malaysia:</u>		
Shares	4,341	4,341
Bonds	15	15
Total securities available-for-sale	85,260	54,249

9 LOANS, ADVANCES AND FINANCING

	<u>30.6.2012</u> RM'000	<u>(Restated)</u> <u>31.12.2011</u> RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	26,881	1,071
Claims on customers under acceptance credits	7,440	75,785
Staff loans	1,178	1,276
Revolving advances	49,054	104,863
Bills discounted	1,636	3,244
Real estate loans	2,373	2,598
Gross loans, advances and financing	88,562	188,837
Allowance for losses on loans, advances and financing:		
- Individual assessment	(750)	(760)
- Collective assessment	(822)	(1,007)
Total net loans, advances and financing	86,990	187,070



BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.6.2012</u> RM'000	<u>31.12.2011</u> RM'000
(b) Loans, advances and financing analysed by geographical distribution:		
Malaysia	86,926	132,458
India	1,636	56,379
	<u>88,562</u>	<u>188,837</u>
(c) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	83,375	128,584
Individuals	3,551	3,874
Foreign entities	1,636	56,379
	<u>88,562</u>	<u>188,837</u>
(d) Loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	968	1,077
- Other fixed rate loans	45,574	167,041
Variable rate		
- BLR plus	29,254	3,669
- Other variable rates	12,766	17,050
	<u>88,562</u>	<u>188,837</u>
(e) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	69	78
Purchase of landed property (residential)	3,332	3,663
Personal use	46	52
Purchase of consumer durables	104	81
Working capital	85,011	184,963
	<u>88,562</u>	<u>188,837</u>

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

**EXPLANATORY NOTES**

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

	<u>30.6.2012</u> RM'000	<u>31.12.2011</u> RM'000
(f) Loans, advances and financing analysed by residual contractual maturity:		
Within one year	85,362	168,029
One year to three years	298	17,594
Three to five years	616	784
Over five years	2,286	2,430
	<u>88,562</u>	<u>188,837</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	891	2,000
Classified as impaired during the financial period/ year	23	1,172
Interest income recognised during the financial period/year	29	67
Amount recovered during the financial period/ year	(71)	(532)
Reclassified as non-impaired	(6)	(1,816)
	<u>866</u>	<u>891</u>
At end of financial period/year		
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.98%</u>	<u>0.47%</u>
	<u>30.6.2012</u> RM'000	(Restated) <u>31.12.2011</u> RM'000
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January		
- as previously stated	2,821	4,459
- effects of change in accounting policy	(1,814)	(2,371)
	<u>1,007</u>	<u>2,088</u>
As restated	1,007	2,088
Write back made during the financial period/year	(185)	(1,081)
	<u>822</u>	<u>1,007</u>
At end of financial period/year		
As % of gross loans, advances and financing less individual assessment allowance	<u>0.94%</u>	<u>0.54%</u>

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

9 LOAN, ADVANCES AND FINANCING (CONTINUED)

	<u>30.6.2012</u> RM'000	<u>31.12.2011</u> RM'000
(i) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	760	1,656
Allowance made during the financial period/year	31	48
Write back made during the financial period/year	(41)	(944)
	<u>750</u>	<u>760</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>866</u>	<u>891</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	857	882
Other purpose	9	9
	<u>866</u>	<u>891</u>

10 OTHER ASSETS

Other receivables	366	92
Deposits	32	32
Prepayments	1,307	1,023
	<u>1,705</u>	<u>1,147</u>

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

**EXPLANATORY NOTES**

**11 PRE-ACQUISITION PROFITS**

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

**14 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.

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

**EXPLANATORY NOTES**

**15 DEPOSITS FROM CUSTOMERS**

	<u>30.6.2012</u> RM'000	<u>31.12.2011</u> RM'000
(a) By type of deposit		
Demand deposits	1,003,464	608,010
Saving deposits	316	333
Fixed deposits	544,097	345,583
	<u>1,547,877</u>	<u>953,926</u>
 (b) Maturity structure of fixed deposits is as follows:		
Due within six months	519,317	321,903
Six months to one year	2,389	201
One year to five years	22,167	23,257
More than five years	224	222
	<u>544,097</u>	<u>345,583</u>
 (c) By type of customers:		
Business enterprises	1,538,798	945,497
Individuals	7,623	7,446
Others	1,456	983
	<u>1,547,877</u>	<u>953,926</u>

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

Licensed banks	2,878	44,373
Other financial institutions	3,496	11,802
	<u>6,374</u>	<u>56,175</u>

**17 OTHER LIABILITIES**

Unearned discount on loans, advances and financing	44	123
Other payables	1,674	858
Accruals	944	1,541
	<u>2,662</u>	<u>2,522</u>

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

**EXPLANATORY NOTES**

**18 INTEREST INCOME**

	Current financial half-year ended <u>30.6.2012</u> RM'000	Preceding financial half-year ended <u>30.6.2011</u> RM'000
Loans, advances and financing	3,143	2,188
Money at call and deposit placements with banks and other financial institutions	16,977	14,124
Securities	<u>1,184</u>	<u>1,131</u>
Total interest income	<u><u>21,304</u></u>	<u><u>17,443</u></u>

**19 INTEREST EXPENSE**

Deposits and placement of bank and other financial institutions	413	384
Deposits from customers	6,068	2,996
Others	<u>17</u>	<u>1</u>
Total interest expense	<u><u>6,498</u></u>	<u><u>3,381</u></u>

**20 OTHER OPERATING INCOME**

<u>Fee income</u>		
Commission	396	484
Service charges and fees	1,877	1,805
Guarantee fees	476	110
Other fee income	<u>330</u>	<u>587</u>
	3,079	2,986
<u>Gross dividend income</u>		
Securities available-for-sale	13	13
Unrealised loss on revaluation of derivatives - Derivatives	(665)	(1,203)
Foreign exchange gain - realised	14,162	7,689
Gain on sale of property, plant and equipment	<u>-</u>	<u>1</u>
	<u><u>16,589</u></u>	<u><u>9,486</u></u>

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

**EXPLANATORY NOTES**

**21 OTHER OPERATING EXPENSES**

	Current financial half-year ended <u>30.6.2012</u> RM'000	Preceding financial half-year ended <u>30.6.2011</u> RM'000
Personnel costs	7,524	4,754
Establishment costs	6,396	3,817
Marketing expenses	82	85
Administration and general expenses	7,047	4,357
	<u>21,049</u>	<u>13,013</u>

Included in the above expenditure are the follows:

Directors remuneration	542	392
Rental of premises	482	456
Rental of equipment	901	976
Depreciation of property, plant and equipment	2,375	1,368
Pension cost – defined contribution plan – EPF	1,203	658
	<u>5,503</u>	<u>3,850</u>

**22 WRITE BACK OF LOSSES ON FOR LOANS, ADVANCES AND FINANCING**

	Current financial half-year ended <u>30.6.2012</u> RM'000	(Restated) Preceding financial half-year ended <u>30.6.2011</u> RM'000
Allowance for impaired loans, advances and financing:-		
Individual assessment allowance		
- written back during the financial period	(41)	(509)
- made during the financial period	31	171
Collective assessment allowance written back during the financial period	(185)	(1,395)
Bad debts on loans, advances and financing		
- recovered	(47)	(81)
- written off	-	19
	<u>(242)</u>	<u>(1,795)</u>

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

**EXPLANATORY NOTES**

**23      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.

**24      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.

**25      CHANGES IN COMPOSITION OF THE BANK**

On 1 June 2012, Hu Koon Phei resigned from, and David Allan Cairns was appointed to, the Board of Directors of the Bank.

Besides the above, there were no significant changes in the composition of the Bank for the financial half-year ended 30 June 2012.

**26      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.

**27      There are no material changes in the profit before taxation for the half-year reported as compared with the preceding half-year.**

**28      There were no dividends paid or declared for the half-year ended 30 June 2012.**



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

**EXPLANATORY NOTES**

**29 USE OF FINANCIAL INSTRUMENTS**

**(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.

		Non-trading book					Non-	Trading	Total
		Up to	>1 - 3	>3 - 12	>1 - 5	Over	interest	book	
		1 month	months	months	years	5 years	bearing		RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30.06.2012</b>									
<b><u>Assets</u></b>									
Cash and short-term funds	1,836,596	-	-	-	-	-	20,696	-	1,857,292
Deposits and placements with banks	-	1,193	-	-	-	-	-	-	1,193
Securities held-for-trading	-	-	-	-	-	-	-	40,918	40,918
Securities available-for-sale	69,849	11,055	-	-	-	-	4,356	-	85,260
Loans, advances and financing	30,208	35,013	20,141	914	2,286	-	(1,572)^	-	86,990
Derivative assets	-	-	-	-	-	-	-	9,591	9,591
Other assets	-	-	-	-	-	-	1,705	-	1,705
Tax recoverable	-	-	-	-	-	-	1,983	-	1,983
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,000	-	1,000
Deferred tax assets	-	-	-	-	-	-	204	-	204
Property, plant and equipment	-	-	-	-	-	-	9,755	-	9,755
<b>Total assets</b>	<b>1,936,653</b>	<b>47,261</b>	<b>20,141</b>	<b>914</b>	<b>2,286</b>	<b>38,127</b>	<b>50,509</b>	<b>2,095,891</b>	

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

**EXPLANATORY NOTES**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

30.06.2012

Liabilities

	Non-trading book				Non- interest bearing RM'000	Trading book RM'000	Total RM'000
	← Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000			
Deposits from customers	866,980	2,279	23,405	319	654,894	-	1,547,877
Deposits and placements with banks							
and other financial institutions	2,836	-	-	-	3,538	-	6,374
Bills and acceptances payable	-	-	-	-	28,191	-	28,191
Derivative liabilities	-	-	-	-	-	10,267	10,267
Other liabilities	-	-	-	-	2,662	-	2,662
Deferred tax liabilities	-	-	-	-	2,193	-	2,193
<b>Total liabilities</b>	<u>869,816</u>	<u>2,279</u>	<u>23,405</u>	<u>319</u>	<u>691,478</u>	<u>10,267</u>	<u>1,597,564</u>
<b>On balance sheet interest rate gap</b>	<u>1,066,837</u>	<u>44,982</u>	<u>(3,264)</u>	<u>595</u>	<u>2,286</u>		

^ The negative balance represents individual and collective assessment allowances 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

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

		Non-trading book					Trading book RM'000	Total RM'000
		←	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

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

**EXPLANATORY NOTES**

**29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Interest rate risk (continued)**

	Non-trading book					Non- interest bearing		Trading book	Total
	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	RM'000	RM'000	RM'000	RM'000
31.12.2011									
Liabilities									
Deposits from customers	473,305	28,395	21,412	877	-	429,937	-	-	953,926
Deposits and placements with banks and other financial institutions	46,611	-	-	-	-	9,564	-	-	56,175
Bills and acceptances payable	-	-	-	-	-	37,839	-	-	37,839
Derivative liabilities	-	-	-	-	-	-	18,360	18,360	18,360
Other liabilities	-	-	-	-	-	2,522	-	-	2,522
Deferred tax liabilities	-	-	-	-	-	2,308	-	-	2,308
Total liabilities	519,916	28,395	21,412	877	-	482,170	18,360	18,360	1,071,130
On balance sheet interest rate gap	857,069	76,365	(14,646)	17,501	2,430				

^ The negative balance represents individual and collective assessment allowances 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**

**29 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:

	30.06.2012					31.12.2011				
	MYR	USD	GBP	EUR	AUD	MYR	USD	GBP	EUR	AUD
	%	%	%	%	%	%	%	%	%	%
<u>Financial assets</u>										
Cash and short-term funds	3.00	0.05	0.57	0.05	3.45	3.00	0.05	-	-	4.15
Deposits and placements with banks	-	-	-	0.12	-	-	-	0.55	-	-
Securities held-for-trading	4.13	-	-	-	-	-	-	-	-	-
Securities available-for-sale	3.05	-	-	-	-	3.01	-	-	-	-
Loans, advances and financing	4.52	0.79	-	-	-	3.68	1.43	-	-	-
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<u>Financial liabilities</u>										
Deposits from customers	2.69	0.20	0.35	0.08	2.93	2.95	0.20	0.35	0.05	3.93
Deposits and placements of banks and other financial institutions	2.75	-	-	-	-	3.00	0.42	-	-	-
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<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. As at end of the financial half-year the amount of contracts which were not hedged and, hence, exposed to market risk was RM48,355,272 (31.12.2011: RM1,913,413).

**(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. As at end of the financial half-year, the amounts of credit risk, measured in term of the cost to replace the profitable contracts, was RM9,591,310 (31.12.2011: RM19,567,439). This 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**

**29 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 tables below set out the Bank's exposure to currency risk. Included in the tables are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

30.06.2012

Assets

Cash and short-term funds	1,213,127	629,762	1,980	5,109	5,662	1,652	1,857,292
Deposits and placements with banks	-	-	-	-	-	1,193	1,193
Securities held-for-trading	40,918	-	-	-	-	-	40,918
Securities available-for-sale	85,260	-	-	-	-	-	85,260
Loans, advances and financing <sup>^</sup>	40,724	46,266	-	-	-	-	86,990
Derivative assets	9,591	-	-	-	-	-	9,591
Other assets <sup>*</sup>	138	228	-	-	-	-	366
Statutory deposit with Bank Negara Malaysia	1,000	-	-	-	-	-	1,000
	<u>1,390,758</u>	<u>676,256</u>	<u>1,980</u>	<u>5,109</u>	<u>5,662</u>	<u>2,845</u>	<u>2,082,610</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.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

30.06.2012

Liabilities

Deposits from customers  
Deposits and placements of banks and other  
other financial institutions  
Bills and acceptances payable  
Derivative liabilities  
Other liabilities<sup>@</sup>

	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
	995,602	539,090	2,198	4,343	4,881	1,763	1,547,877
	5,921	-	-	453	-	-	6,374
	24,151	4,040	-	-	-	-	28,191
	10,267	-	-	-	-	-	10,267
	1,490	1	4	173	-	6	1,674
	<u>1,037,431</u>	<u>543,131</u>	<u>2,202</u>	<u>4,969</u>	<u>4,881</u>	<u>1,769</u>	<u>1,594,383</u>
Currency gap	<u>353,327</u>	<u>133,125</u>	<u>(222)</u>	<u>140</u>	<u>781</u>	<u>1,076</u>	<u>488,227</u>

<sup>@</sup> This represents other payables.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

(Restated) 31.12.2011	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	1,114,543	158,818	617	316	2,692	2,970	1,279,956
Deposits and placements with banks	-	-	-	6,006	-	-	6,006
Securities available-for-sale	54,249	-	-	-	-	-	54,249
Loans, advances and financing <sup>^</sup>	128,787	58,283	-	-	-	-	187,070
Derivative assets	19,567	-	-	-	-	-	19,567
Other assets <sup>*</sup>	92	-	-	-	-	-	92
Statutory deposit with Bank Negara Malaysia	1,000	-	-	-	-	-	1,000
	<u>1,318,238</u>	<u>217,101</u>	<u>617</u>	<u>6,322</u>	<u>2,692</u>	<u>2,970</u>	<u>1,547,940</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.



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

**EXPLANATORY NOTES**

**29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(e) Currency risk (continued)**

(Restated)  
31.12.2011

Liabilities

Deposits from customers  
Deposits and placements from  
banks and other financial institutions  
Bills and acceptances payable  
Derivative liabilities  
Other liabilities<sup>@</sup>

	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
	658,777	283,920	458	6,075	2,595	2,101	953,926
	12,360	43,815	-	-	-	-	56,175
	34,878	2,961	-	-	-	-	37,839
	18,360	-	-	-	-	-	18,360
	809	-	-	49	-	-	858
	725,184	330,696	458	6,124	2,595	2,101	1,067,158
Currency gap	593,054	(113,595)	159	198	97	869	

<sup>@</sup> This represents other payables.

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

**EXPLANATORY NOTES**

**29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Related accounting policies

Forward exchange contracts

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, any unrealised gains and losses are recognised in the income statement for the financial period.

**30 CAPITAL ADEQUACY**

The components of Tier-I and Tier-II capital are as follows:

	<u>30.6.2012</u> RM'000	(Restated) <u>31.12.2011</u> RM'000
<u>Tier-I Capital</u>		
Share capital	135,800	135,800
Statutory reserves	126,373	126,373
Retained profit	225,168	225,168
	<u>487,341</u>	<u>487,341</u>
Less: Deferred tax asset	-	-
Total Tier-I capital	<u>487,341</u>	<u>487,341</u>
<u>Tier-II Capital</u>		
Collective assessment allowance *	799	981
Total capital base	<u>488,140</u>	<u>488,322</u>
<u>Capital ratios</u>		
Core capital ratio	88.33%	115.16%
Risk-weighted capital ratio	<u>88.47%</u>	<u>115.39%</u>

\* Excludes collective assessment allowance on impaired loans restricted from Tier-II Capital of the Bank of RM22,823 (2011: RM25,903)

Pursuant to BNM's circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier 1 capital and deferred tax assets are excluded from the calculation of risk weighted assets.

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). The Bank has adopted the Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

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

**EXPLANATORY NOTES**

**30 CAPITAL ADEQUACY (CONTINUED)**

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

		<u>30.6.2012</u>		<u>31.12.2011</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%	1,336,000	-	1,165,761	-
	20%	647,655	129,531	182,679	36,536
	35%	752	263	809	283
	50%	25,371	12,686	88,555	44,278
	75%	662	497	707	530
	100%	224,228	224,228	254,624	254,624
		<u>2,234,668</u>	<u>367,205</u>	<u>1,693,135</u>	<u>336,251</u>
(ii)	Market risk <sup>#</sup>	-	90,779	-	1,919
(iii)	Operational risk	-	93,753	-	85,017
		<u>2,234,668</u>	<u>551,737</u>	<u>1,693,135</u>	<u>423,187</u>

<sup>#</sup> The capital adequacy ratios have incorporated market risk pursuant to BNM's guideline on Market Risk Capital Adequacy Framework which is effective from 1 April 2005.

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

**EXPLANATORY NOTES**

**30 CAPITAL ADEQUACY (CONTINUED)**

The Off-Balance Sheet exposures and their related counterparty credit risk of the Bank are as follows:

30.6.2012 Description	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	41,846	-	41,846	40,108
Transaction related contingent Items	24,495	-	12,247	10,081
Short term self liquidating trade-related contingencies	3,270	-	654	240
Foreign exchange related contracts				
One year or less	1,060,626	8,548	21,363	18,921
Over one year to five years	37,069	704	2,558	2,558
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	358,923	-	71,785	71,785
<b>Total</b>	<b>1,526,229</b>	<b>9,252</b>	<b>150,453</b>	<b>143,693</b>

31.12.2011 Description	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	38,497		38,497	31,702
Transaction related contingent Items	20,763		10,382	8,543
Short term self liquidating trade-related contingencies	4,517		903	576
Foreign exchange related contracts				
One year or less	2,210,292	18,881	30,756	26,259
Over one year to five years	37,728	484	2,370	2,370
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	345,937		69,187	69,187
<b>Total</b>	<b>2,657,734</b>	<b>19,365</b>	<b>152,095</b>	<b>138,637</b>

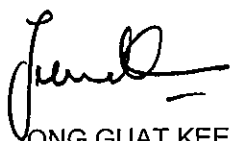
\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

BANK OF AMERICA MALAYSIA BERHAD  
(310983 V)

STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 30 June 2012, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and explanatory notes for the 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 Malaysia 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



ONG GUAT KEE  
Chief Executive Officer

31 JUL 2012