

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 2011

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	<u>Note</u>	<u>30.6.2011</u> RM'000	<u>31.12.2010</u> RM'000
ASSETS			
Cash and short-term funds		1,328,964	1,216,984
Securities available-for-sale	7	53,524	118,885
Loans, advances and financing	8	150,475	293,118
Other assets		1,437	2,225
Derivative assets		3,564	17,500
Tax recoverable		1,966	588
Statutory deposits with Bank Negara Malaysia		900	900
Deferred tax assets		972	-
Property, plant and equipment	10	10,333	7,427
TOTAL ASSETS		<u>1,552,135</u>	<u>1,657,627</u>
LIABILITIES			
Deposits from customers	13	949,175	819,651
Deposits and placements of banks and other financial institutions	14	89,752	302,520
Bills and acceptances payable		17,245	37,467
Other liabilities		3,380	2,284
Derivative liabilities		4,456	19,446
Deferred tax liabilities		2,239	1,243
TOTAL LIABILITIES		<u>1,066,247</u>	<u>1,182,611</u>
EQUITY			
Share capital		135,800	135,800
Reserves		350,088	339,216
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>485,888</u>	<u>475,016</u>
TOTAL LIABILITIES AND EQUITY		<u>1,552,135</u>	<u>1,657,627</u>
COMMITMENTS AND CONTINGENCIES	27	<u>2,340,750</u>	<u>2,319,860</u>
CAPITAL ADEQUACY	27		
Core capital ratio		100.23%	90.26%
Risk-weighted capital ratio		100.70%	91.11%

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2011

	<u>Note</u>	Current financial half-year ended 30.6.2011 RM'000	Preceding financial half-year ended 30.6.2010 RM'000
Interest income	15	17,465	14,598
Interest expense	16	(3,717)	(2,236)
		<hr/>	<hr/>
Net interest income		13,748	12,362
Other operating income	17	9,800	9,027
		<hr/>	<hr/>
Net income		23,548	21,389
Other operating expenses	18	(13,013)	(7,190)
		<hr/>	<hr/>
Profit before allowance		10,535	14,199
Write back of losses on loans, advances and financing	19	2,568	1,179
		<hr/>	<hr/>
Profit before taxation		13,103	15,378
Taxation		(2,319)	(4,088)
		<hr/>	<hr/>
Net profit for the period		10,784	11,290
Other comprehensive income/(loss) (net of tax)			
Fair value reserve:			
Net change in fair value of securities available-for-sale			84
	(15)		
Net amount transferred to profit or loss		4	6
		<hr/>	<hr/>
Other comprehensive income/(loss) (net of tax)		88	(9)
		<hr/>	<hr/>
Total comprehensive income for the period		10,872	11,281
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (sen)		7.94	8.31
		<hr/> <hr/>	<hr/> <hr/>

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**CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2011**

	<u>Share capital</u> RM'000	<u>Non distributable</u> Statutory reserves RM'000	<u>Fair value</u> reserve RM'000	<u>Distributable</u> Retained profit RM'000	<u>Total</u> RM'000
At 1 January 2011	135,800	122,835	1,827	214,554	475,016
Net profit for the period	-	-	-	10,784	10,784
Other comprehensive income	-	-	88	-	88
Total comprehensive income for the period	-	-	88	10,784	10,872
At 30 June 2011	<u>135,800</u>	<u>122,835</u>	<u>1,915</u>	<u>225,338</u>	<u>485,888</u>
At 1 January 2010					
- as previously stated	135,800	117,317	(6)	201,264	454,375
- effect of adopting FRS139	-	-	-	43	43
At 1 January 2010, as restated	<u>135,800</u>	<u>117,317</u>	<u>(6)</u>	<u>201,307</u>	<u>454,418</u>
Net profit for the period	-	-	-	11,290	11,290
Other comprehensive loss	-	-	(9)	-	(9)
Total comprehensive income for the period	-	-	(9)	11,290	11,281
At 30 June 2010	<u>135,800</u>	<u>117,317</u>	<u>(15)</u>	<u>212,597</u>	<u>465,699</u>

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**CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2011**

	Current financial half-year ended 30.6.2011 <u>RM'000</u>	Preceding financial half-year ended 30.6.2010 <u>RM'000</u>
Profit before taxation	13,103	15,378
Adjustments for non-cash items	150	(2,337)
Operating profit before working capital changes	<u>13,253</u>	<u>13,041</u>
Changes in working capital:		
Net changes in operating assets	158,558	(20,494)
Net changes in operating liabilities	(117,332)	66,790
Income tax paid	(3,699)	(1,236)
Net cash generated from operating activities	<u>50,780</u>	<u>58,101</u>
Net cash generated from investing activities	<u>61,200</u>	<u>19,921</u>
Net change in cash and cash equivalents	111,980	78,022
Cash and cash equivalents at beginning of the year	<u>1,216,984</u>	<u>1,234,704</u>
Cash and cash equivalents at the end of the period	<u><u>1,328,964</u></u>	<u><u>1,312,726</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 2010.

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 2010 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 2011.

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 2011.

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 AVAILABLE-FOR-SALE

	<u>30.6.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
<u>At fair value</u>		
Money market instruments:		
Unquoted:		
Bank Negara Malaysia Bills	49,168	114,614
Unquoted securities in Malaysia:		
Shares	4,341	4,256
Bonds	15	15
	<u>4,356</u>	<u>4,271</u>
Total securities available-for-sale	<u>53,524</u>	<u>118,885</u>

8 LOANS, ADVANCES AND FINANCING

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

At amortised cost:		
Overdrafts	803	7,715
Claims on customers under acceptance credits	1,001	155,049
Staff loans	1,685	1,919
Revolving advances	119,904	48,352
Bills discounted	27,907	83,083
Real estate loans	2,784	3,115
	<u>154,084</u>	<u>299,233</u>
Gross loans, advances and financing		
Allowance for losses on loans, advances and financing:		
- Individual assessment allowance	(1,318)	(1,656)
- Collective assessment allowance	(2,291)	(4,459)
	<u>(3,609)</u>	<u>(6,115)</u>
Total net loans, advances and financing	<u>150,475</u>	<u>293,118</u>

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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.6.2011</u> RM'000	<u>31.12.2010</u> RM'000
(b) Loans, advances and financing analysed by geographical distribution:		
Malaysia	126,177	78,434
India	27,907	220,799
	<u>154,084</u>	<u>299,233</u>
(c) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	121,708	56,067
Individuals	4,469	5,034
Foreign entities	27,907	238,132
	<u>154,084</u>	<u>299,233</u>
(d) Loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
Housing loans	1,357	1,001
Other fixed rate loans	128,689	263,718
Variable rate		
BLR plus	3,565	10,744
Other variable rates	20,473	23,770
	<u>154,084</u>	<u>299,233</u>
(e) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	113	212
Purchase of landed property (residential)	4,118	4,030
Personal use	78	151
Purchase of consumer durables	160	196
Working capital	149,615	294,644
	<u>154,084</u>	<u>299,233</u>

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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.6.2011</u> RM'000	<u>31.12.2010</u> RM'000
(f) Loans, advances and financing analysed by residual contractual maturity:		
Maturity up to one year	129,235	253,741
One year to five years	21,742	13,998
More than five years	3,107	31,494
	<u>154,084</u>	<u>299,233</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	2,000	2,689
Classified as impaired during the financial period/ year	421	1,396
Interest income recognised during the financial period/year	20	-
Amount recovered during the financial period/ year	(415)	(1,752)
Reclassified as non-impaired	(319)	(333)
At end of financial period/year	<u>1,707</u>	<u>2,000</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>1.11%</u>	<u>0.67%</u>
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	4,459	5,000
Collective assessment allowance written back during the financial period/year	(2,168)	(541)
	<u>2,291</u>	<u>4,459</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.50%</u>	<u>1.50%</u>

Collective assessment allowance of the Bank was maintained in accordance with the transitional provision under paragraph 12.7 of BNM Guidelines on Classification and Impairment Provisions for Loans/Financing.

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EXPLANATORY NOTES

8 LOAN, ADVANCES AND FINANCING (CONTINUED)

	<u>30.6.2011</u> RM'000	<u>31.12.2010</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	1,656	5,492
Individual allowance made during the financial period/year	171	742
Amount written back in respect of recoveries during the financial period/year	(509)	(4,578)
At end of financial period/year	<u>1,318</u>	<u>1,656</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>1,707</u>	<u>2,000</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	1,663	1,851
Other purpose	44	149
	<u>1,707</u>	<u>2,000</u>

EXPLANATORY NOTES

9 PRE-ACQUISITION PROFITS

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

10 PROPERTY, PLANT AND EQUIPMENT

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

11 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.

12 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.

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EXPLANATORY NOTES

13 DEPOSITS FROM CUSTOMERS

		<u>30.6.2011</u>	<u>31.12.2010</u>
		RM'000	RM'000
(a)	By type of deposit:		
	Demand deposits	619,450	598,159
	Saving deposits	373	466
	Fixed deposits	329,352	221,026
		<u>949,175</u>	<u>819,651</u>

Maturity structure of fixed deposits is as follows:

	Due within six months	325,776	175,207
	Six months to one year	3,269	668
	One year to five years	307	44,934
	More than five years	-	217
		<u> </u>	<u> </u>

(b) By type of customers:

	Business enterprises	939,296	801,398
	Individual	8,486	16,659
	Others	1,393	1,594
		<u>949,175</u>	<u>819,651</u>

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

		<u>30.6.2011</u>	<u>31.12.2010</u>
		RM'000	RM'000
	Licensed banks	78,762	291,368
	Other financial institutions	10,990	11,152
		<u>89,752</u>	<u>302,520</u>

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EXPLANATORY NOTES

15 INTEREST INCOME

	Current financial half-year ended <u>30.6.2011</u> RM'000	Preceding financial half-year ended <u>30.6.2010</u> RM'000
Loans, advances and financing	2,188	3,853
Money at call and deposit placements with banks and other financial institutions	14,124	9,703
Securities available-for-sale	1,131	1,028
Derivatives	22	14
Total interest income	<u>17,465</u>	<u>14,598</u>

16 INTEREST EXPENSE

Deposits and placement of bank and other financial institutions	384	177
Deposits from customers	2,996	1,891
Derivatives	336	166
Others	1	2
Total interest expense	<u>3,717</u>	<u>2,236</u>

17 OTHER OPERATING INCOME

	Current financial half-year ended <u>30.6.2011</u> RM'000	Preceding financial half-year ended <u>30.6.2010</u> RM'000
Fee income		
- Commission	484	779
- Service charges and fees	1,805	1,818
- Guarantee fees	110	292
- Other fee income	587	736
Gross dividend income from		
- Securities available-for-sale	13	-
Unrealised loss on revaluation of derivatives		
- Derivatives	(1,203)	(1,908)
Foreign exchange gain		
- realised	8,003	7,310
Gain on sale of property, plant and equipment	1	-
	<u>9,800</u>	<u>9,027</u>

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EXPLANATORY NOTES

18 OTHER OPERATING EXPENSES

	Current financial half-year ended <u>30.6.2011</u> RM'000	Preceding financial half-year ended <u>30.6.2010</u> RM'000
Personnel costs	4,754	2,942
Establishment costs	3,817	2,853
Marketing expenses	85	127
Administration and general expenses	4,357	1,268
	<u>13,013</u>	<u>7,190</u>

Included in the above expenditure are the follows:

Directors remuneration	654	532
Rental of premises	456	397
Rental of equipment	976	446
Depreciation of property, plant and equipment	1,368	535
Pension cost – defined contribution plan – EPF	658	359
	<u>4,112</u>	<u>2,269</u>

19 WRITE BACK OF LOSSES ON FOR LOANS, ADVANCES AND FINANCING

Allowance for impaired loans, advances and financing:-		
Individual assessment allowance		
- written back	(509)	(1,306)
- made during the financial period/year	171	244
Collective assessment allowance written back during the financial period/year	(2,168)	-
Bad debts on loans, advances and financing		
- recovered	(81)	(117)
- written off	19	-
	<u>(2,568)</u>	<u>(1,179)</u>

EXPLANATORY NOTES

20 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.

21 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.

22 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 2011.

23 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.

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

25 There were no dividends paid or declared for the half-year ended 30 June 2011.

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EXPLANATORY NOTES

26 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.

	The Bank 30.6.2011						Non- interest bearing	Total
	←		Non-trading book		→			
	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	
<u>Assets</u>								
Cash and short - term funds	958,474	355,000	-	-	-	15,490	1,328,964	
Securities available - for-sale	-	-	49,168	-	-	4,356	53,524	
Loans, advances and financing	803	82,858	29,875	12,868	27,680	(3,609)^	150,475	
Other assets	-	-	-	-	-	1,437	1,437	
Derivative assets	3,564	-	-	-	-	-	3,564	
Deferred tax assets	-	-	-	-	-	972	972	
Tax recoverable	-	-	-	-	-	1,966	1,966	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	900	900	
Property, plant and equipment	-	-	-	-	-	10,333	10,333	
Total assets	962,841	437,858	79,043	12,868	27,680	31,845	1,552,135	

^ 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.

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EXPLANATORY NOTES

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	The Bank 30.6.2011					Non- interest bearing	Total
	←	Non-trading book			→		
	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
<u>Liabilities</u>							
Deposits from customers	231,386	53,053	30,241	14,460	212	619,823	949,175
Deposits and placements of banks and other financial institutions	36,612	16,814	24,192	-	-	12,134	89,752
Bills and acceptances payable	-	-	-	-	-	17,245	17,245
Other liabilities	-	-	-	-	-	3,380	3,380
Derivative liabilities	4,456	-	-	-	-	-	4,456
Deferred tax liabilities	-	-	-	-	-	2,239	2,239
Total liabilities	272,454	69,867	54,433	14,460	212	654,821	1,066,247
 On balance sheet-interest rate gap	 690,387	 367,991	 24,610	 (1,592)	 27,468		

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EXPLANATORY NOTES

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

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

	The Bank 31.12.2010						Non-trading book	Non-interest bearing	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	
<u>Assets</u>									
Cash and short - term funds	1,050,911	150,228	-	-	-	15,845	1,216,984		
Securities available - for-sale	59,924	54,690	-	-	-	4,271	118,885		
Loans, advances and financing	116,038	149,399	5,373	24,822	3,601	(6,115) [^]	293,118		
Other assets	-	-	-	-	-	2,225	2,225		
Derivative assets	17,500	-	-	-	-	-	17,500		
Tax recoverable	-	-	-	-	-	588	588		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	900	900		
Property, plant and equipment	-	-	-	-	-	7,427	7,427		
Total assets	1,244,373	354,317	5,373	24,822	3,601	25,141	1,657,627		

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

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EXPLANATORY NOTES

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	The Bank 31.12.2010 Non-trading book					Non- interest bearing	Total RM'000
	←	←	←	←	←		
<u>Liabilities</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	RM'000	
Deposits from customers	149,259	27,041	43,790	936	-	598,625	819,651
Deposits and placements of banks and other financial institutions	176,329	117,329	-	-	-	8,862	302,520
Bills and acceptances payable	-	-	-	-	-	37,467	37,467
Other liabilities	-	-	-	-	-	2,284	2,284
Derivative liabilities	19,446	-	-	-	-	-	19,446
Deferred tax liabilities	-	-	-	-	-	1,243	1,243
Total liabilities	345,034	144,370	43,790	936	-	648,481	1,182,611
 On balance sheet-interest rate gap	 899,339	 209,947	 (38,417)	 23,886	 3,601		

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EXPLANATORY NOTES

26 **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:

	<u>30.6.2011</u>				<u>31.12.2010</u>	
	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>MYR</u>	<u>USD</u>
	%	%	%	%	%	%
<u>Financial assets</u>						
Cash and short-term funds	3.05	0.50	0.06	-	2.78	0.20
Securities available-for-sale	3.05	-	-	-	2.84	-
Loans, advances and financing	4.11	1.11	-	-	4.97	1.60
<u>Financial liabilities</u>						
Deposits from customers	2.75	0.22	0.20	0.05	2.66	0.13
Deposits and placements of banks and other financial institutions	3.00	0.23	-	-	2.75	0.37

(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 RM225,282 (31.12.2010: RM311,039).

(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 RM3,564,494 (31.12.2010: RM17,500,196). 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.

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EXPLANATORY NOTES

26 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.

	The Bank 30.6.2011					Total RM'000
	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	
<u>Assets</u>						
Cash and short-term funds	1,038,212	275,779	3,389	6,247	3,791	1,328,964
Securities available-for-sale	53,524	-	-	-	-	53,524
Loans, advances and financing	117,844	32,631	-	-	-	150,475
Other assets*	18,134	138	-	-	-	18,272
Statutory deposit with Bank Negara Malaysia	900	-	-	-	-	900
	<u>1,228,614</u>	<u>308,548</u>	<u>3,389</u>	<u>6,247</u>	<u>3,791</u>	<u>1,552,135</u>

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EXPLANATORY NOTES

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

	←	The Bank 30.6.2011 Non-trading book					→
	<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	636,933	299,497	1,830	6,038	3,761	1,116	949,175
Deposits and placements of banks and other financial institutions	11,444	78,192	-	-	-	116	89,752
Bills and acceptances payable	15,864	1,381	-	-	-	-	17,245
Other liabilities [@]	7,039	1,528	1,446	49	13	-	10,075
	<u>671,280</u>	<u>380,598</u>	<u>3,276</u>	<u>6,087</u>	<u>3,774</u>	<u>1,232</u>	<u>1,066,247</u>
Currency gap	<u>557,334</u>	<u>(72,050)</u>	<u>113</u>	<u>160</u>	<u>17</u>	<u>314</u>	<u>485,888</u>

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(e) Currency risk (continued)

	← The Bank 31.12.2010 Non-trading book →				
	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>					
Cash and short-term funds	1,216,876	88	19	1	1,216,984
Securities available-for-sale ('AFS')	118,885	-	-	-	118,885
Loans, advances and financing	69,415	223,703	-	-	293,118
Other assets*	27,735	-	4	1	27,740
Statutory deposit with Bank Negara Malaysia	900	-	-	-	900
	<u>1,433,811</u>	<u>223,791</u>	<u>23</u>	<u>2</u>	<u>1,657,627</u>
<u>Liabilities</u>					
Deposits from customers	548,805	259,466	319	11,061	819,651
Deposits and placements of banks and other financial institutions	11,578	290,942	-	-	302,520
Bills and acceptances payable	35,723	1,744	-	-	37,467
Other liabilities@	22,262	-	77	634	22,973
	<u>618,368</u>	<u>552,152</u>	<u>396</u>	<u>11,695</u>	<u>1,182,611</u>
Currency gap	<u>815,443</u>	<u>(328,361)</u>	<u>(373)</u>	<u>(11,693)</u>	

* Includes derivatives assets, deferred tax asset, tax recoverable, fixed assets and other assets.

@ Includes derivative liabilities, deferred tax liabilities and other liabilities.

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.

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY

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

	<u>30.6.2011</u> RM'000	<u>31.12.2010</u> RM'000
<u>Tier-I Capital</u>		
Share capital	135,800	135,800
Statutory reserves	122,835	122,835
Retained profit	225,338	214,554
	<u>483,973</u>	<u>473,189</u>
Less: Deferred tax asset	-	-
Total Tier-I capital	<u>483,973</u>	<u>473,189</u>
<u>Tier-II Capital</u>		
General allowance for losses on loans	<u>2,291</u>	<u>4,452</u>
Total capital base	<u>486,264</u>	<u>477,641</u>
<u>Capital ratios</u>		
Core capital ratio	100.23%	90.26%
Risk-weighted capital ratio	<u>100.70%</u>	<u>91.11%</u>

The detailed disclosures on the risk-weighted assets as set out in Notes 27(a), (b) and (c) are presented in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

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

		<u>30.6.2011</u>		<u>31.12.2010</u>	
		<u>Principal</u>	<u>Risk-weighted</u>	<u>Principal</u>	<u>Risk-weighted</u>
		RM'000	RM'000	RM'000	RM'000
(i)	Credit risk				
	0%	733,950	-	770,399	-
	20%	677,151	135,430	578,721	115,744
	35%	1,062	372	955	334
	50%	34,836	17,418	258,521	129,261
	75%	624	468	654	490
	100%	244,073	244,073	192,005	192,005
		<u>1,691,696</u>	<u>397,761</u>	<u>1,801,255</u>	<u>437,834</u>
(ii)	Market risk [#]	-	1,006	-	774
(iii)	Operational risk	-	84,098	-	85,625
		<u>1,691,696</u>	<u>482,865</u>	<u>1,801,255</u>	<u>524,233</u>

[#] 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.

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.

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

(a) The breakdown of the Bank's risk-weighted assets ("RWA") by exposures is as follows:

30.6.2011 Exposure class	Gross exposures RM'000		Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
Credit risk					
On-Balance Sheet exposures:					
Sovereigns/Central Banks	731,386		731,386	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	674,169		674,169	135,300	10,824
Corporates	123,297		123,297	111,789	8,943
Residential mortgages	1,859		1,859	925	74
Other assets	18,966		18,966	16,402	1,312
Defaulted exposures	108		108	93	7
Total On- Balance Sheet exposures	1,549,785		1,549,785	264,509	21,160
Off-Balance Sheet exposures					
OTC derivatives	12,871		12,871	9,987	799
Off balance sheet exposures other than OTC derivatives or credit derivatives	129,558		129,040	123,265	9,861
Total Off- Balance Sheet exposures	142,429		141,911	133,252	10,660
Total On and Off- Balance Sheet exposures	1,692,214		1,691,696	397,761	31,820
Large exposures risk requirement	-		-	-	-
Market risk					
	Long position	Short position			
Foreign currency risk	779	1,006		1,006	80
Operational risk				84,098	6,728
Total RWA and capital requirements				482,865	38,628

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

(a) The breakdown of the Bank's risk-weighted assets ("RWA") by exposures is as follows: (continued)

31.12.2010 Exposure class	Gross exposures RM'000		Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<u>Credit risk</u>					
On-Balance Sheet exposures:					
Sovereigns/Central Banks Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	769,236		769,236	-	-
Corporates	782,707		782,707	222,817	17,825
Residential mortgages	74,570		74,570	61,534	4,922
Other assets	1,766		1,766	903	72
Defaulted exposures	13,625		13,625	12,462	996
	52		52	52	4
Total On- Balance Sheet exposures	1,641,956		1,641,956	297,768	23,819
Off-Balance Sheet exposures					
OTC derivatives	22,939		22,939	9,139	731
Off balance sheet exposures other than OTC derivatives or credit derivatives	137,163		136,360	130,927	10,474
Total Off- Balance Sheet exposures	160,102		159,299	140,066	11,205
Total On and Off- Balance Sheet exposures	1,802,058		1,801,255	437,834	35,024
Large exposures risk requirement	-		-	-	-
<u>Market risk</u>					
	Long position	Short position			
Foreign currency risk	774	425		774	62
<u>Operational risk</u>				85,625	6,717
Total RWA and capital requirements				524,233	41,803

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

(b) The breakdown of the Bank's credit risk exposures by risk weights is as follows:

30.6.2011 Risk weights	Exposures after netting and credit risk mitigation (RM'000)										Total risk weighted assets
	Sovereigns/ Central Banks	Public sector entities	Banks, Development Financial Institutions & MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting & credit risk mitigation		
0%	731,386	-	-	-	-	-	2,564	-	733,950	-	-
20%	-	-	675,561	1,590	-	-	-	-	677,151	-	135,430
35%	-	-	-	-	1,062	-	-	-	1,062	-	372
50%	-	-	14,159	20,473	204	-	-	-	34,836	-	17,418
75%	-	-	-	-	624	-	-	-	624	-	468
100%	-	-	-	227,594	77	-	16,317	-	243,988	-	243,988
150%	-	-	-	-	-	-	-	-	-	-	-
Total exposures	731,386	-	689,720	249,657	1,967	-	18,881	-	1,691,611	-	
Risk weighted assets by exposure	-	-	142,192	238,149	1,018	-	16,317	-		-	397,676
Average risk weight	0.00%	0.00%	20.62%	95.39%	51.75%	0.00%	86.42%	0.00%		0.00%	23.51%
Deduction from capital base	-	-	-	-	-	-	-	-	-	-	

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

(b) The breakdown of the Bank's credit risk exposures by risk weights is as follows: (continued)

31.12.2010 Risk weights	Exposures after netting and credit risk mitigation (RM'000)										Total risk weighted assets	
	Sovereigns/ Central Banks	Public sector entities	Banks, Development Financial Institutions & MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting & credit risk mitigation			
0%	769,236	-	-	-	-	-	-	1,163	-	-	770,399	-
20%	-	-	577,131	1,590	-	-	-	-	-	-	578,721	115,744
35%	-	-	-	-	955	-	-	-	-	-	955	334
50%	-	-	234,836	23,527	158	-	-	-	-	-	258,521	129,261
75%	-	-	-	-	654	-	-	-	-	-	654	490
100%	-	-	-	179,491	52	-	-	12,462	-	-	192,005	192,005
150%	-	-	-	-	-	-	-	-	-	-	-	-
Total exposures	769,236	-	811,967	204,608	1,819	-	-	13,625	-	-	1,801,255	
Risk weighted assets by exposure	-	-	232,844	191,573	955	-	-	12,462	-	-		437,834
Average risk weight	0.00%	0.00%	28.68%	93.63%	52.50%	0.00%	-	91.46%	0.00%	-		24.31%
Deduction from capital base	-	-	-	-	-	-	-	-	-	-	-	

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

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

30.6.2011 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	27,803	-	27,803	24,898
Transaction related contingent Items	63,876	-	31,938	29,484
Short term self liquidating trade-related contingencies	7,749	-	1,550	616
Foreign exchange related contracts				
One year or less	1,899,987	3,072	12,871	9,987
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	341,335	-	68,267	68,267
Total	2,340,750	3,072	142,429	133,252

31.12.2010 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	26,302	-	26,302	23,607
Transaction related contingent Items	69,017	-	34,509	31,183
Short term self liquidating trade-related contingencies	2,206	-	441	226
Foreign exchange related contracts				
One year or less	1,842,776	17,105	22,939	9,139
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	379,559	-	75,912	75,912
Total	2,319,860	17,105	160,103	140,067

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

EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

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

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

Nature of commitments and contingencies

Direct credit substitutes comprise guarantees undertaken by the Bank to support the financial obligations of their customers to third parties.

Certain transactions related contingent items represent financial products whose crystallisations are dependent on specific events other than default payment by the customers. They include performance related contingencies and standby letter of credit.

Short term self liquidating trade-related contingencies relate to bills of exchange which have been endorsed by the Bank and represent liabilities in the event of default by the acceptors and the drawers of the bills.

Foreign exchange related contracts are agreements or options to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

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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 2011, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows 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 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



MOHAMAD ABDUL NASER MD JAAFAR
Chief Executive Officer