

Company No.

310983

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

**REPORTS AND STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

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

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF COMPREHENSIVE INCOME	13
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF CASH FLOW	15 - 16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS	17 - 33
NOTES TO THE FINANCIAL STATEMENTS	34 - 93
STATEMENT BY DIRECTORS	94
STATUTORY DECLARATION	94
INDEPENDENT AUDITORS' REPORT	95 - 96

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

The Directors hereby submit their report together with the audited financial statements of Bank of America Malaysia Berhad ("the Bank") for the financial year ended 31 December 2011.

**PRINCIPAL ACTIVITIES**

The Bank is principally engaged in all aspects of banking business and the provision of such related services.

There have been no significant changes in these activities during the financial year.

**FINANCIAL RESULTS**

	RM'000
Profit before taxation	17,834
Taxation	(3,682)
Net profit for the financial year	<u>14,152</u>

**DIVIDENDS**

No dividends have been paid or declared by the Bank since the end of the last financial year. The Directors do not recommend the payment of any dividends for the financial year ended 31 December 2011.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for bad and doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**CURRENT ASSETS**

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank misleading.

**VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading or inappropriate.

**ITEMS OF AN UNUSUAL NATURE**

In the opinion of the Directors:

- (a) the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DIRECTORS OF THE BANK**

The Directors of the Bank in office since the date of the last report and at the date of this report are as follows:

Richard David Maloney Jr	(appointed on 1 November 2011)
Ong Guat Kee	(appointed on 1 March 2012)
Mohamad Abdul Naser Md Jaafar	(resigned on 1 March 2012)
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	
Henry Talmadge Pelaez	
Dato' Chew Kong Seng	
Hu Koon Phei	
Ernest Mak Hin Mun	(resigned on 1 November 2011)

In accordance with Article 100 of the Bank's Articles of Association, all the Directors shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

According to the Register of Directors' shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act, 1965, none of the Directors in office at the end of the financial year held any interests in shares in or debentures of the Bank.

According to the Register of Director's shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act, 1965, the interest of Directors in the shares, Employees' Share Option Scheme and Associate Share Option Scheme of Bank of America Corporation during the financial year is as follows:

<u>Number of ordinary shares of USD1.00 each</u>				
	As at 1 Jan 2011	<u>Shares held by Directors in their own name</u>		
		<u>Acquired/</u>	<u>Granted</u>	<u>As at</u> 31 Dec 2011
		<u>Disposed</u>		
Richard David Maloney Jr	-	6,522	(3,000)	3,522
Hu Koon Phei	-	3,597	-	3,597
<u>Number of unissued ordinary shares of USD1.00 each</u>				
	As at 1 Jan 2011	<u>Share Options held by Directors in their own name</u>		
		<u>Granted</u>	<u>Exercised</u>	<u>As at</u> 31 Dec 2011
		<u>Lapsed</u>		
Mohamad Abdul Naser Md Jaafar	1,000	1,531	-	2,531

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in the financial statements) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debenture of, the Bank or any other body corporate.

**HOLDING AND ULTIMATE HOLDING COMPANY**

The Directors regard Bank America International Financial Corporation, a corporation incorporated in the United States of America, as the holding company and Bank of America Corporation, a corporation incorporated in the United States of America, as the ultimate holding company.

**RISK MANAGEMENT FRAMEWORK**

The Bank adopts a risk management framework which is consistent with Bank of America's global risk management policies and procedures. This framework focuses on all aspects of risk namely credit, market, liquidity and operational risks. In addition, it ensures that the appropriate levels of due diligence, controls, risk tolerance and shareholder perspective are taken into consideration when making each and every business decision.

**BUSINESS PLAN AND STRATEGY FOR FINANCIAL YEAR ENDED 31 DECEMBER 2011**

The Bank continued to operate as a Working Capital Management ("WCM") unit for the ninth full year since the reorganisation of the Bank in 2001. In line with this, the Bank's operations are concentrated on working capital products and services. The Bank's major clients are multinationals, financial institutions and international multi lateral agencies requiring trade and cash management services. Credit facilities are extended to support activities in the area of working capital, trade finance and foreign exchange.

**OUTLOOK FOR FINANCIAL YEAR 2012**

The Bank's performance in the financial year ended 31 December 2011 has demonstrated the continuation and growth of the working capital management model comprising of treasury management, foreign exchange, payments and receipts, short-term and long term borrowings, trade finance, short-term investing and short-term foreign exchange. Towards the end of the year, the Bank embarked on setting up the new Fixed Income, Currency and Commodity ("FICC") business and Corporate Banking team.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**OUTLOOK FOR FINANCIAL YEAR 2012 (CONTINUED)**

The business strategy for 2012 will be focused on the launch of the FICC business in Malaysia which was approved by Bank Negara Malaysia via letter dated 13 January 2012. The business expansion in Malaysia is to leverage the depths of the business network of legacy Merrill Lynch in Malaysia. Products and services supporting the business expansion include treasury management, foreign exchange, cash management, trade services, short-term and long term borrowings and short-term investments.

The Bank will expand beyond the existing multinational portfolio to cover local corporations. This will include trade finance opportunities and the cross selling of other banking solutions. The Bank will continue to be mindful of the Priority Sector Lending targets in line with the government's effort to support the growth of Small and Medium Enterprises.

**NOMINATION, REMUNERATION AND RISK MANAGEMENT COMMITTEES**

The Bank has received the approval from Bank Negara Malaysia ("BNM") via letter dated 2 November 2004 to dispense the establishment of the Nomination, Remuneration and Risk Management Committees.

In compliance with BNM's requirement, the full Board of Directors of the Bank undertakes the responsibility for the roles of each of the three sub-committees.

The Bank has received the approval from BNM via letter dated 23 June 2006 and 12 February 2006 for the Audit Committee to assume the roles and responsibilities of the Risk Management Committee and for the Board of Directors to assume the roles and responsibilities of the Nomination and Remuneration Committee.

**CORPORATE GOVERNANCE STATEMENT**

Introduction

The Board of Directors of the Bank is pleased to report on the application by the Bank of the principles contained in the Malaysian Code on Corporate Governance ("Code") and the extent of compliance with the best practices of the Code. Although the Bank is not a listed company, the Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**BOARD OF DIRECTORS**

The Board

The Board subscribes to the principles of good corporate governance and as such, will always ensure that the Bank achieve best practice in the conduct of the Bank's business and operational activities. An indication of the Board's commitment is reflected in the conduct of regular Board meetings by the Bank and the incorporation of various processes and systems to achieve a risk awareness culture as well as the establishment of relevant Board Committees and Management Committees at the Bank.

Composition of the Board

As of 31 December 2011, the Board has six (6) members, comprising the Chairman/Non-Executive Director, Executive Director (2), Non-Executive Director (1), Independent Director (2), as follows:-

	<u>Designation</u>
Richard David Maloney Jr	Chairman/Non-Executive Director
Mohamad Abdul Naser Md Jaafar	Executive Director
Hu Koon Phei	Executive Director
Henry Talmadge Pelaez	Non-Executive Director
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	Independent Director
Dato' Chew Kong Seng	Independent Director

The directors bring together to the Board a wide range of business management skills, as well as banking and financial experience required for the management of the Bank in the country. All Board members participate fully in the deliberation and decision-making process on the key issues involving the Bank.

There are clear division of responsibilities between the Board and the Chief Executive Officer ('CEO') to ensure the balance of power and authority. The CEO's primary responsibilities are to manage the Bank's day-to-day operations and together with the Non-Executive Directors ensure that the strategies are fully discussed and examined, and taking into account the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Bank conducts its business. In addition to the role and guidance of the Independent Directors, each director nevertheless brings an independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decisions on behalf of the Board, unless duly authorised by the Board of Directors. As such, no individual or a group of individuals dominates the decision making process. This enables the Board to effectively discharge its principal responsibilities as set out in the Code.



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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Board Meetings

The Board meets on a scheduled basis at least once in two months with additional meetings held when urgent issues and important decisions are required to be taken between the scheduled meetings.

The Board met 7 times during the financial year ended 31 December 2011. The attendance of each director in office at the end of the financial year on the aforesaid Board meetings are set out below:-

<u>Director</u>	<u>Meetings Attended of Total</u>	<u>Attendance %</u>
Mohamad Abdul Naser Md Jaafar Executive Director	6/7	86%
Hu Koon Phei Executive Director	6/7	86%
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob Independent Director	7/7	100%
Henry Talmadge Pelaez Non-Executive Director	7/7	100%
Richard David Maloney Jr Chairman/Non-Executive Director	2/2	100%
Dato' Chew Kong Seng Independent Director	7/7	100%

Scheduled board meetings are structured with a pre-set agenda. The Board's principal focus amongst others is the overall strategic direction, financial and corporate developments of the Bank. Key matters such as the Bank's business and marketing strategy, quarterly financials, material contracts, major capital expenditure and credit policies and guidelines are reserved for the Board's decision. The directors are kept abreast of the Bank's performance via the various monthly reports tabled at the Board meetings and Board committee meetings. The reports include the financial reports, major capital expenditure reports, credit reports, risk reports and audit reports. Minutes of meetings of the various committees of the Bank are tabled to the Board for notation. Agenda and Board papers are circulated prior to the Board meetings to give directors appropriate time to consider and deliberate on the issues to be raised at the Board meetings. The directors have full access to the senior management of the Bank and the advice and services of the Company Secretary.

In addition, the directors may also seek independent professional advice, at the Bank's expense, if required. Directors may also consult with the Chairman and other Board members prior to seeking any independent professional advice.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DISCLOSURE OF BOARD COMMITTEES**

**Audit Committee**

The Board has established the Audit Committee since 1994. The Committee presently comprises two (2) Independent Directors of which one is the Chairman and one (1) Non-Executive Director. During the financial year ended 31 December 2011, a total of 6 meetings were held and details of attendance of each member at the Audit Committee meetings held during the year as at 31 December 2011 are as follows:-

<u>Composition of the Audit Committee</u>	<u>Attendance at the committee meetings</u>
Richard David Maloney Jr	1/1
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	6/6
Dato' Chew Kong Seng (Chairman)	6/6

The Audit Committee meets regularly to review the Bank's financial reporting, the nature, scope and results of audit reviews, and the effectiveness of the system of internal controls and compliance. The local management team, corporate audit, operational risk management team as well as the external auditors are invited to these meetings as and when necessary.

**Terms of Reference of Audit Committee**

**Objectives**

- ♦ To review the financial condition and performance of the Bank.
- ♦ To review the adequacy and integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- ♦ To review the findings of the corporate audit and operational risk management team and to recommend appropriate remedial actions.
- ♦ To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

**Primary Responsibilities**

- ♦ Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful financings. Review the balance sheet and income statement for submission to the Board of Directors and ensure the prompt publication of annual accounts;
- ♦ Review internal controls, including the scope of the internal audit programme, the corporate audit findings, and recommend actions to be taken by management. The reports of corporate audit team and the Committee should not be subject to the clearance of the Executive Directors;

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DISCLOSURE OF BOARD COMMITTEES (CONTINUED)**

Terms of Reference of Audit Committee (continued)

Primary Responsibilities (continued)

- ♦ Review with the external auditors, the scope of their audit plan, the system of internal accounting controls, the audit reports, the assistance given by the management and its staff to the auditors and any findings and action to be taken. The Audit Committee should also select external auditors for appointment by the Board each year and recommend their fees to the Board for approval;
- ♦ Delegation of authority including authorisation limits at various levels of management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility;
- ♦ Policies and procedures manuals for key processes are documented and regularly updated for application at the Bank. These are supplemented by operating standards set by the Bank, as required for the type of business of the Bank;
- ♦ Regular and comprehensive information is provided to management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators;
- ♦ Ongoing reviews of the internal control system are carried out by the corporate audit and operational risk management team. Results of such reviews are reported to the Audit Committee;
- ♦ The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement by the corporate audit, operational risk management team and external auditors on the state of the internal control system. The minutes of the Audit Committee meetings are tabled to the Board;
- ♦ There is clear procedure for investment appraisal, including equity investment or divestment and capital expenditure;
- ♦ Review any related party transactions that may arise within the banking institution's group;
- ♦ To perform any other functions as defined by the Board.

Authority

- ♦ The Committee is authorised by the Board to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information. It is also authorised to seek any information it requires from any employee of the Bank and all employees are directed to co-operate with any request made by the Committee.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**DISCLOSURE OF BOARD COMMITTEES (CONTINUED)**

Terms of Reference of Audit Committee (continued)

**Authority (continued)**

- ♦ The Committee shall have direct communication channels with the external auditors and corporate audit team.
- ♦ The Committee is authorised by the Board to obtain independent professional or other advice at the Bank's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers this necessary.

**Meetings**

- ♦ Meetings shall be held at least six (6) times, once every two months, with a majority quorum. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.
- ♦ The Committee may invite the local management team, corporate audit, operational risk management team and the external auditors of the Bank to be in attendance during meetings to assist in its deliberations.
- ♦ Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.
- ♦ The Bank's Secretary shall be the Secretary of the Committee.
- ♦ The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.

**Composition**

- ♦ The Committee shall be appointed by the Board from amongst its number and shall comprise not less than three (3) members, none of whom should be full-time employees of the Bank.
- ♦ The majority of the Audit Committee members should be Independent Directors.
- ♦ The Chairman of the Committee shall be an Independent Director appointed by the Board.
- ♦ No alternate director shall be appointed as a member of the Committee.

**Relationship with the Auditors**

- ♦ The Board maintains a formal and transparent professional relationship with the auditors, through the Audit Committee.

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**


**RATING BY AGENCIES**

The Bank was not rated by any rating agencies during the financial year.


**AUDITORS**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.



ONG GUAT KEE  
DIRECTOR



RICHARD DAVID MALONEY JR  
DIRECTOR

Kuala Lumpur  
23 MAY 2012

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	2	1,279,956	1,216,984
Deposits and placements with banks		6,006	-
Securities available-for-sale ('AFS')	3	54,249	118,885
Loans, advances and financing	4	185,256	293,118
Other assets	5	1,147	2,225
Derivative assets	6	19,567	17,500
Tax recoverable		2,334	588
Statutory deposit with Bank Negara Malaysia	8	1,000	900
Property, plant and equipment	9	9,823	7,427
<b>TOTAL ASSETS</b>		<u>1,559,338</u>	<u>1,657,627</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	10	953,926	819,651
Deposits and placements of banks and other financial institutions	11	56,175	302,520
Bills and acceptances payable		37,839	37,467
Other liabilities	12	2,522	2,284
Derivative liabilities	13	18,360	19,446
Deferred tax liabilities	7	1,283	1,243
<b>TOTAL LIABILITIES</b>		<u>1,070,105</u>	<u>1,182,611</u>
Share capital	14	135,800	135,800
Reserves	15	353,433	339,216
<b>Shareholders' funds</b>		<u>489,233</u>	<u>475,016</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>1,559,338</u>	<u>1,657,627</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<u>2,657,734</u>	<u>2,319,860</u>

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
Interest income	16	37,867	33,062
Interest expense	17	(9,444)	(5,957)
Net interest income		28,423	27,105
Other operating income	18	23,928	19,117
Net income		52,351	46,222
Other operating expenses	19	(37,020)	(21,267)
Profit before allowance		15,331	24,955
Write back of losses on loans, advances and financing	21	2,503	4,685
Profit before taxation		17,834	29,640
Taxation	23	(3,682)	(7,569)
Net profit for the financial year		14,152	22,071
Other comprehensive income:			
Fair value reserve:			
Net change in fair value of securities available-for-sale		86	462
Income tax relating to component of other comprehensive income		(21)	(110)
Other comprehensive income		65	352
Total comprehensive income for the year		14,217	22,423
Earnings per share (sen)	25	10.42	16.25

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	Share capital RM'000	Non distributable Statutory reserve RM'000	Revaluation reserve RM'000	Distributable Retained profit RM'000	Total RM'000
At 1 January 2011	135,800	122,835	1,827	214,554	475,016
Net profit for the financial year	-	-	-	14,152	14,152
Other comprehensive income	-	-	65	-	65
Transfer to statutory reserve	-	3,538	-	(3,538)	-
At 31 December 2011	<u>135,800</u>	<u>126,373</u>	<u>1,892</u>	<u>225,168</u>	<u>489,233</u>
At 1 January 2010	135,800	117,317	1,475	198,001	452,593
Net profit for the financial year	-	-	-	22,071	22,071
Other comprehensive income	-	-	352	-	352
Transfer to statutory reserve	-	5,518	-	(5,518)	-
At 31 December 2010	<u>135,800</u>	<u>122,835</u>	<u>1,827</u>	<u>214,554</u>	<u>475,016</u>



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

**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

	<u>2011</u> RM'000	<u>2010</u> RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax for the financial year	17,834	29,640
Adjustments for:		
Depreciation of property, plant and equipment	3,865	1,073
Net amount write back in respect of losses on loans, advances and financing	(2,386)	(4,685)
Dividend income from securities available-for-sale	(13)	(13)
Net unrealised loss on fair value changes on derivatives	(1,193)	1,946
Accretion of discount	(1,887)	(2,403)
Gains in disposal of property, plant and equipment	(1)	-
Fixed assets written off	-	95
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<u>16,219</u>	<u>25,653</u>
(Increase)/decrease in operating assets:		
Deposits and placements with banks	(6,006)	-
Loans, advances and financing	110,248	(152,063)
Other assets	1,078	(18,614)
Derivative assets	(874)	-
Statutory deposit with Bank Negara Malaysia	(100)	-
Increase/(decrease) in operating liabilities:		
Deposits from customers	134,275	(93,802)
Deposits and placements of banks and other financial institutions	(246,345)	238,255
Bills and acceptances payable	372	(38,937)
Other liabilities	238	14,442
Derivative liabilities	(1,086)	-
<b>CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<u>8,019</u>	<u>(25,066)</u>
Taxation paid	(5,409)	(4,903)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<u>2,610</u>	<u>(29,969)</u>

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

**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividend received from securities available-for-sale		13	13
Purchase of property, plant and equipment		(6,262)	(7,042)
Proceeds from disposal of property, plant and equipment		2	-
Net disposal of securities available-for-sale		66,609	19,278
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<u>60,362</u>	<u>12,249</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		62,972	(17,720)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<u>1,216,984</u>	<u>1,234,704</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	2	<u><u>1,279,956</u></u>	<u><u>1,216,984</u></u>

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**A BASIS OF PREPARATION**

The financial statements of the Bank have been prepared under historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia ("BNM") Guidelines and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section 2.

**(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank**

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank's financial year beginning on or after 1 January 2011 are as follows:

- Revised FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 7 "Financial instruments: Disclosures - improving disclosures about financial instruments"
- Amendments to FRS 1 "First-time adoption of financial reporting standards"
- Amendment to FRS 132 "Financial instruments: Presentation – Classification of rights issues"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- Improvements to FRSs (2010)

The adoption of the new accounting standards, amendments and improvements to published standards and interpretations do not have a material impact on the financial statements of the Bank.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective

In the next financial year, the Bank will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Bank will be applying MFRS1 "First-time adoption of MFRS". MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exceptions for first-time MFRS adopters.

- (i) Financial year beginning on/after 1 January 2012

- MFRS 139 "Financial instruments: recognition and measurement"- Bank Negara Malaysia has removed the transitional provision for banking institutions on loan impairment assessment and provisioning to comply with the MFRS 139 requirements.
- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
  - The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.
- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS140 "Investment property". As a result of the amendments, IC interpretation 121 "Income taxes-recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.
- Amendment to MFRS 1 "First time adoption on fixed dates and hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A BASIS OF PREPARATION (CONTINUED)**

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (continued)

(i) Financial year beginning on/after 1 January 2012 (continued)

- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

(ii) Financial year beginning on/after 1 January 2013

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.
- Amendment to MFRS 101 "Financial statement presentation" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.
- Amendment to MFRS 119 "Employee benefits" (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A BASIS OF PREPARATION (CONTINUED)**

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Bank but not yet effective (continued)

(iii) Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments – classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories : amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

The Bank has not finalised the impact of the change to MFRS and is now in the midst of implementing the MFRS139 collective assessment methodology and will complete this process prior to the release of the interim results for the financial period ending 30 June 2012.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B INTEREST INCOME RECOGNITION**

Interest income is recognised on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest, the Bank estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate.

Where an account is classified as impaired, the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned/accrued and accretion/amortisation of discount/premium on these securities.

**C RECOGNITION OF FEES AND OTHER INCOME**

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fee income relating to loans and guarantee fees is recognised over the period during which the related service is provided or credit risk is undertaken.

Dividends from securities are recognised in the income statement when the right to receive payment is established.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D OTHER PROVISIONS**

Provision are recognised when all of the following conditions have been met:

- (i) The Bank has a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) A reliable estimate of the amount can be made.

Where the Bank expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

**E REPURCHASE AGREEMENTS**

Securities purchased under resale agreements are securities which the Bank has purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the statement of financial position.



**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****F FINANCIAL ASSETS****(a) Classification**

The Bank classifies financial assets into financial assets at fair value through profit or loss, financial investments available-for-sale, and loans and receivables. The classification depends on the purpose for which the financial assets were required. Management determines the classification of the financial assets at initial recognition, at the point when the transactions are entered into.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

**(iii) Financial investments available-for-sale**

Financial investments available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories, and are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value recognised in equity, net of income tax, until such securities are sold, collected or otherwise disposed of, or until such securities are determined to be impaired.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F FINANCIAL ASSETS (CONTINUED)**

**(b) Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on the trade date, the date that an asset is delivered to or by the Bank.

Financial instruments are initially recognised at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments. For financial instruments classified as fair value through profit and loss, transaction costs are expensed off.

**(c) Subsequent measurement**

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (see accounting policy Note H) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payments is established.

**(d) De-recognition**

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

**G FINANCIAL LIABILITIES**

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)****1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****G FINANCIAL LIABILITIES (CONTINUED)****(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in profit or loss.

**(b) Other liabilities measured at amortised cost**

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from customers and bills and acceptances payable.

**H IMPAIRMENT OF FINANCIAL ASSETS**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset ('a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- (a) Significant financial difficulty of the issuer or obligor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost

Loans and advances

The Bank first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and advances' carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If the loans and advances has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, loans and advances are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (Continued)

Loans and advances (Continued)

In accordance with the transitional provisions under the Amendments to FRS 139, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM'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, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans and advances, net of individual assessment impairment allowance.

The Bank has adopted the transitional provisions under the Amendments to FRS 139 and the collective assessment impairment allowance of the Bank has been determined based on the transitional arrangement issued by BNM.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(b) Assets carried at fair value

When a decline in fair value of financial investments available-for-sale has been recognised directly in equity and there is objective evidence that the financial investment is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial investment has not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on that financial investment previously recognised in profit or loss.

If, in subsequent periods, the fair value of a financial investment available-for-sale increase and the increase can be objectively related to an event occurring after the impairment was recognised in the profit or loss, that portion of impairment loss is reversed through profit or loss. For equity instruments, no reversal of impairment loss through profit or loss is allowed when there is an increase in fair value of the equity instrument in subsequent period.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash-generating units).

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

**J PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of other property, plant and equipment is calculated to write-down the cost of the property, plant and equipment to the residual value on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are:

Office equipment and furniture	10 - 33%
Computer equipment and software	25 - 50%
Motor vehicles	25%
Bank premises alterations	
- movable	10%
- non-movable	written off over lease terms

Depreciation on works-in-progress commences when the assets are ready for their intended use.

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit before taxation.

At each balance sheet date, the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note I on impairment of non-financial assets.

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the lease term of the Bank's premise.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K BILLS AND ACCEPTANCES PAYABLE**

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market.

**L DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Bank recognises profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

**(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING (CONTINUED)**

**(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**(c) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

**M CURRENCY CONVERSION AND TRANSLATIONS**

**(a) Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within.

For translation differences on financial investments available-for-sale, refer to Note F(c).



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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N INCOME TAXES**

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits for the financial year.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses can be utilised.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**O CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash and bank balances and short term funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P EMPLOYEE BENEFITS**

**(i) Short term employee benefits**

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Bank.

**(ii) Post employment benefits**

A defined contribution plan is a pension plan under which the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The contributions to EPF are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Bank has no further payment obligations in the future.

**(iii) Equity compensation benefits**

The share options granted to directors and employees of the Bank are that of the Bank's ultimate holding company, Bank of America Corporation ("BOAC") and the relevant disclosures are made in BOAC's financial statements.

**Q CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Bank does not recognise a contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrences of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

**2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Bank's accounting policies and use of estimates are integral to understanding its reported results. The Bank's most complex accounting estimates require management's judgement to ascertain the valuation of assets and liabilities. The Bank has established detailed policies and control procedures intended to ensure that valuation methods, including any judgements made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The Bank believes its estimates for determining the valuation of its assets and liabilities are appropriate. The following is a brief description of the Bank's critical accounting estimates involving significant valuation judgement.

**(a) Fair value of financial instruments**

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The majority of the Bank's assets reported at fair value are based upon quoted market prices or upon internally developed models that utilise independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are traded actively and have quoted market prices or parameters readily available, there is little-to-no subjectivity in determining fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value. The valuation process takes into consideration factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk.

The Bank's held for trading financial assets are valued based upon quoted market prices. The majority of the Bank's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – that is, parameters that are actively quoted and can be validated to external sources, including industry-pricing services. Certain derivatives, however, are valued based upon models with significant unobservable market parameters – that is, parameters that must be estimated and are, therefore, subject to management judgement to substantiate the model valuation. These instruments are normally either traded less actively or trade activity is one way. Management's judgement includes recording fair value adjustments (i.e., reductions) to model valuations to account for parameter uncertainty when valuing complex or less actively traded derivative transactions.

**(b) Allowance for losses on loans, advances and financing**

The Bank makes allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans and advances. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011**

**1 GENERAL INFORMATION**

The Bank is principally engaged in all aspects of the banking business and in the provision of related services.

The holding company of the Bank is Bank America International Financial Corporation, a corporation incorporated in the United States of America.

The ultimate holding company of the Bank is Bank of America Corporation, a corporation incorporated in the United States of America.

The Bank is a limited company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of operation of the Bank is at 18th Floor, Wisma Goldhill, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

**2 CASH AND SHORT-TERM FUNDS**

	<u>2011</u> RM'000	<u>2010</u> RM'000
Cash and balances with banks and other financial institutions	15,373	166,073
Money at call and deposit placements maturing within one month	1,264,583	1,050,911
	<u>1,279,956</u>	<u>1,216,984</u>

**3 SECURITIES AVAILABLE-FOR-SALE**

Money market instruments:

Unquoted

Bank Negara Malaysia Bills	49,893	114,614
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Unquoted securities in Malaysia:

Shares	4,341	4,256
Bonds	15	15
Total securities available-for-sale	<u>54,249</u>	<u>118,885</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**4 LOANS, ADVANCES AND FINANCING**

	<u>2011</u> RM'000	<u>2010</u> RM'000
(i) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	1,071	7,715
Claims on customers under acceptance credits	75,785	155,049
Staff loans	1,276	1,919
Revolving advances	104,863	48,352
Bills discounted	3,244	83,083
Real estate loans	2,598	3,115
Gross loans, advances and financing	<u>188,837</u>	<u>299,233</u>
Allowance for losses on loans, advances and financing		
- Individual assessment	(760)	(1,656)
- Collective assessment	(2,821)	(4,459)
Total net loans, advances and financing	<u><u>185,256</u></u>	<u><u>293,118</u></u>
(ii) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	78	212
Purchase of landed property (residential)	3,663	4,030
Personal use	52	151
Purchase of consumer durables	81	196
Working capital	<u>184,963</u>	<u>294,644</u>
	<u><u>188,837</u></u>	<u><u>299,233</u></u>
(iii) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	128,584	56,067
Individuals	3,874	5,034
Foreign entities	<u>56,379</u>	<u>238,132</u>
	<u><u>188,837</u></u>	<u><u>299,233</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
(iv) Loans, advances and financing analysed by interest rate sensitivity:		
Fixed rate		
- Housing loans	1,077	1,001
- Other fixed rate loans	167,041	263,718
Variable rate		
- BLR plus	3,669	10,744
- Cost plus	17,050	23,770
	<u>188,837</u>	<u>299,233</u>
(v) Loans, advances and financing analysed by residual contractual maturity		
Within one year	168,029	270,814
One year to three years	17,594	24,219
Three years to five years	784	702
Over five years	2,430	3,498
	<u>188,837</u>	<u>299,233</u>
(vi) Impaired loans, advances and financing		
(a) Movements in impaired loans, advances and financing are as follows:		
At 1 January	2,000	2,689
Classified as impaired during the financial year	1,172	1,396
Interest income recognised during the financial year	67	-
Reclassified as performing during the financial year	(1,816)	(333)
Amount recovered during the financial year	(532)	(1,752)
At 31 December	891	2,000
Individual assessment allowance	(760)	(1,656)
Net impaired loans, advances and financing	<u>131</u>	<u>344</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.47%</u>	<u>0.67%</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
(vi) Impaired loans, advances and financing (continued)		
(b) Movements in allowance for impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	1,656	5,492
Allowance made during the financial year	48	742
Write back made during the financial year	(944)	(4,578)
At 31 December	<u>760</u>	<u>1,656</u>
<u>Collective assessment allowance</u>		
At 1 January	4,459	5,000
Write back made during the financial year	(1,638)	(541)
At 31 December	<u>2,821</u>	<u>4,459</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.50%</u>	<u>1.50%</u>

**5 OTHER ASSETS**

Other receivables	92	153
Deposits	32	27
Prepayments	1,023	2,045
	<u>1,147</u>	<u>2,225</u>

**6 DERIVATIVE ASSETS**

Derivative assets – foreign exchange forwards and swaps	<u>19,567</u>	<u>17,500</u>
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**6 DERIVATIVE ASSETS (CONTINUED)**

	Contract or underlying <u>principal amount</u> RM'000	Year end positive <u>fair value</u> RM'000
<u>2011</u>		
Foreign exchange related contracts:		
- forwards and swaps	2,361,236	19,567
<u>2010</u>		
Foreign exchange related contracts:		
- forwards and swaps	1,842,776	17,500

**7 DEFERRED TAXATION**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Deferred tax assets	1,025	1,122
Deferred tax liabilities	(2,308)	(2,365)
	<u>(1,283)</u>	<u>(1,243)</u>



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**7 DEFERRED TAXATION (CONTINUED)**

The movement in deferred tax assets and liabilities during the year comprises the following:

	General <u>allowance</u> RM'000	Accelerated tax <u>depreciation</u> RM'000	AFS <u>reserve</u> RM'000	<u>Total</u> RM'000
At 1 January 2011	1,115	(1,753)	(605)	(1,243)
(Charged)/credited to income statement	(90)	76	(5)	(19)
Charged to AFS reserve	-	-	(21)	(21)
As at 31 December 2011	<u>1,025</u>	<u>(1,677)</u>	<u>(631)</u>	<u>(1,283)</u>
At 1 January 2010	1,250	(345)	(495)	410
Charged to income statement	(135)	(1,408)	-	(1,543)
Charged to AFS reserve	-	-	(110)	(110)
As at 31 December 2010	<u>1,115</u>	<u>(1,753)</u>	<u>(605)</u>	<u>(1,243)</u>

**8 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which is determined as a set percentage of total eligible liabilities.

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**9 PROPERTY, PLANT AND EQUIPMENT**

<u>2011</u>	<u>Office equipment &amp; furniture RM'000</u>	<u>Computer equipment &amp; software RM'000</u>	<u>Motor vehicles RM'000</u>	<u>Bank premises alterations RM'000</u>	<u>Works in- progress RM'000</u>	<u>Total RM'000</u>
<u>Cost</u>						
At 1 January	6,910	9,125	205	950	-	17,190
Additions	1,167	2,876	-	2,046	173	6,262
Disposal	(7)	(446)	(6)	-	-	(459)
At 31 December	8,070	11,555	199	2,996	173	22,993
<u>Accumulated depreciation</u>						
At 1 January	708	8,039	202	814	-	9,763
Charge for the financial year	1,877	1,305	-	683	-	3,865
Disposal	(7)	(446)	(5)	-	-	(458)
At 31 December	2,578	8,898	197	1,497	-	13,170
<u>Net book value</u>						
At 31 December 2011	5,492	2,657	2	1,499	173	9,823

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Office equipment & furniture RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Bank premises alterations RM'000	Total RM'000
<u>2010</u>					
<u>Cost</u>					
At 1 January	692	8,677	205	797	10,371
Additions	6,352	448	-	242	7,042
Disposal	(134)	-	-	(89)	(223)
At 31 December	6,910	9,125	205	950	17,190
<u>Accumulated depreciation</u>					
At 1 January	587	7,232	202	797	8,818
Charge for the financial year	247	807	-	19	1,073
Disposal	(126)	-	-	(2)	(128)
At 31 December	708	8,039	202	814	9,763
<u>Net book value</u>					
At 31 December 2010	6,202	1,086	3	136	7,427

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The gross amount of assets fully depreciated but still in use amounted to RM9,307,752 (2010: RM9,364,955).

**10 DEPOSITS FROM CUSTOMERS**

	<u>2011</u> RM'000	<u>2010</u> RM'000
Demand deposits	608,010	598,159
Saving deposits	333	466
Fixed deposits	345,583	221,026
	<u>953,926</u>	<u>819,651</u>
 (i) Maturity structure of fixed deposits is as follows:		
Due within six months	321,903	175,207
Six months to one year	201	668
One year to five years	23,257	44,934
More than five years	222	217
	<u>345,583</u>	<u>221,026</u>
 (ii) The deposits are sourced from the following types of customers:		
Business enterprises	945,497	801,398
Individuals	7,446	16,659
Others	983	1,594
	<u>953,926</u>	<u>819,651</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

	<u>2011</u> RM'000	<u>2010</u> RM'000
Licensed banks	44,373	291,368
Other financial institutions	11,802	11,152
	<u>56,175</u>	<u>302,520</u>

**12 OTHER LIABILITIES**

Unearned discount on loans, advances and financing	123	292
Other payables	858	578
Accruals	1,541	1,414
	<u>2,522</u>	<u>2,284</u>

**13 DERIVATIVE LIABILITIES**

Derivative liabilities – foreign exchange forwards and swaps	<u>18,360</u>	<u>19,446</u>
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Contract or underlying principal amount	Year end negative fair value
RM'000	RM'000

2011

Foreign exchange related contracts:  
- forwards and swaps

<u>2,361,236</u>	<u>18,360</u>
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2010

Foreign exchange related contracts:  
- forwards and swaps

<u>1,842,776</u>	<u>19,446</u>
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**14 SHARE CAPITAL**

	<u>2011</u> RM'000	<u>2010</u> RM'000
Authorised:		
250,000,000 ordinary shares of RM1 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
135,800,000 ordinary shares of RM1 each	<u>135,800</u>	<u>135,800</u>

**15 RESERVES**

- (i) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act 1989 and is not distributable as cash dividends.
- (ii) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Bank as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 and tax exempt income to frank dividends out of its retained profits as at 31 December 2011.

- (iii) Movement of the fair value reserve of available-for-sale securities is as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
At 1 January	1,827	1,475
Net change in revaluation reserve of financial assets available-for-sale	86	462
Deferred taxation	(21)	(110)
At 31 December	<u>1,892</u>	<u>1,827</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

16	INTEREST INCOME		
		<u>2011</u>	<u>2010</u>
		RM'000	RM'000
	Loans, advances and financing	5,988	8,230
	Money at call and deposit placements with banks and other financial institutions	29,954	22,398
	Securities available for sale	1,887	2,403
	Derivatives	38	31
	Total interest income	<u>37,867</u>	<u>33,062</u>
17	INTEREST EXPENSE		
	Deposits and placements of banks and other financial institutions	651	687
	Deposits from customers	7,727	4,651
	Derivatives	1,063	598
	Others	3	21
		<u>9,444</u>	<u>5,957</u>
18	OTHER OPERATING INCOME		
	<u>Fee income</u>		
	Commission	944	1,362
	Service charges and fees	3,964	3,967
	Guarantee fees	390	582
	Other fee income	1,507	1,423
		<u>6,805</u>	<u>7,334</u>
	<u>Gross dividend income from</u>		
	Securities available-for-sale	13	13
	<u>Unrealised gain/(loss) on revaluation of derivatives</u>		
	Derivatives – foreign exchange forwards and swaps	1,193	(1,946)
	<u>Other income</u>		
	Realised foreign exchange gain	14,100	13,716
	Reimbursement of information technology expenses	1,776	-
	Gain on sale of property, plant and equipment	1	-
	Others	40	-
		<u>17,123</u>	<u>11,783</u>
		<u>23,928</u>	<u>19,117</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**19 OTHER OPERATING EXPENSES**

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Personnel costs</u>		
Salaries, allowances and bonuses	8,515	6,055
Defined contribution plans	1,394	903
Other staff related cost	2,178	357
	<u>12,087</u>	<u>7,315</u>
<u>Establishment costs</u>		
Property, plant and equipment		
- depreciation	3,865	1,073
Rental of premises	922	834
Rental of equipment	757	320
Repair and maintenance	1,343	2,704
Information technology expenses	1,629	2,216
Others	1,235	694
	<u>9,751</u>	<u>7,841</u>
<u>Marketing expenses</u>		
Advertising and publicity	299	192
Others	154	147
	<u>453</u>	<u>339</u>
<u>Administration and general expenses</u>		
Auditors' remuneration		
- statutory audit fees	57	57
- non-audit fees	54	80
Communication expenses	791	403
Legal and professional fees	382	393
Stationery and postages	363	368
Shared administrative support expenses	12,152	1,980
Others	930	2,491
	<u>14,729</u>	<u>5,772</u>
	<u>37,020</u>	<u>21,267</u>



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**20 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS**

The aggregate remuneration of the Directors of the Bank is as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Executive Directors and CEO		
- Salaries	682	551
- Benefits-in-kind (based on estimated monetary value)	113	23
- Bonus	149	194
- Defined contribution plan	143	124
- Others	64	34
Non-Executive Directors		
- Fees	100	100
	<u>1,251</u>	<u>1,026</u>

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind during the financial year amounted to RM1,151,211 (2010: RM926,401).

The remuneration of the Directors of the Bank is within the following bands:

	<u>2011</u> No. of Directors	<u>2010</u> No. of Directors
<u>Executive</u>		
RM		
900,001 – 950,000	-	1
1,150,001 – 1,200,000	1	-
<u>Executive/Non-Executive/Independent</u>		
RM		
0 – 50,000	<u>6</u>	<u>5</u>

**21 WRITE BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING**

	<u>2011</u> RM'000	<u>2010</u> RM'000
Allowance for loans, advances and financing		
Individual assessment allowance		
- written back	(944)	(4,578)
- made during the financial year	48	742
Collective assessment written back	(1,638)	(541)
Bad debts on loans, advances and financing		
- recovered	(117)	(308)
- written off	148	-
	<u>(2,503)</u>	<u>(4,685)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**22 SIGNIFICANT RELATED PARTY DISCLOSURES**

(a) Related parties and relationships

The related parties of, and their relationship with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
Bank of America Corporation	Ultimate holding company
Bank America International Financial Corporation	Immediate holding company
Bank of America National Association - New York Branch	Branch of the ultimate holding company
Bank of America National Association - San Francisco Branch	Branch of the ultimate holding company
Bank of America National Association - Labuan Branch	Branch of the ultimate holding company
Bank of America National Association - Singapore Branch	Branch of the ultimate holding company
Bank of America National Association - London Branch	Branch of the ultimate holding company
Bank of America National Association - Canada Branch	Branch of the ultimate holding company
Bank of America National Association - Bangkok Branch	Branch of the ultimate holding company
Bank of America National Association - Jakarta Branch	Branch of the ultimate holding company
Bank of America National Association - Mumbai Branch	Branch of the ultimate holding company
Bank of America National Association - Sydney Branch	Branch of the ultimate holding company
Bank of America National Association - Tokyo Branch	Branch of the ultimate holding company
Bank of America National Association - Hong Kong Branch	Branch of the ultimate holding company
Smith Zain (Penang) Sdn. Bhd.	Subsidiary of the ultimate holding company

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

(a) Related parties and relationships (continued)

The related parties of, and their relationship with the Bank are as follows: (continued)

Key management personnel

The key management personnel of the Bank consists of:

- (i) All Directors of the Bank
- (ii) Senior management of the Bank

Related parties of key management personnel (deemed as related to the Bank)

- (i) Close family members and dependents of key management personnel
- (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates. The volume of related party transactions, outstanding balances at the financial year end, and the corresponding expense and income for the financial year are as follows:

	Key management personnel RM'000	Other related companies RM'000
<u>2011</u>		
<u>Income</u>		
Interest on deposits and placements with other financial institutions	-	177
Interest on loans, advances and financing	13	-
Reimbursement of information technology expenses	-	1,776
Management fee	-	317
	<u>13</u>	<u>2,270</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

(b) Significant related party balances and transactions (continued)

	Key management <u>personnel</u> RM'000	Other related <u>companies</u> RM'000
<u>2011</u>		
<u>Expenditure</u>		
Interest on deposits and placements of banks and other financial institutions	-	423
Interest on deposits from customers	-	188
Management fee	-	12,152
	-	12,763
<u>Amount due from</u>		
Deposits and placements	-	170,880
Loans, advances and financing	415	-
Interest receivable	-	1
	415	170,881
<u>Amount due to</u>		
Deposits and placements	-	56,699
Interest payable	-	108
	-	56,807

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

(b) Significant related party balances and transactions (continued)

	Key management personnel RM'000	Other related companies RM'000
<u>2010</u>		
<u>Income</u>		
Interest on deposits and placements with other financial institutions	-	364
Interest on loans, advances and financing	17	-
Management fee	-	308
	<u>17</u>	<u>672</u>
<u>Expenditure</u>		
Interest on deposits and placements of banks and other financial institutions	-	620
Management fee	-	1,411
	<u>-</u>	<u>2,031</u>
<u>Amount due from</u>		
Deposits and placements	-	321,292
Loans, advances and financing	496	-
Interest receivable	-	4
	<u>496</u>	<u>321,296</u>
<u>Amount due to</u>		
Deposits and placements	-	291,088
Interest payable	-	281
	<u>-</u>	<u>291,369</u>
<u>Approved limit</u>		
	<u>2011</u>	<u>2010</u>
	RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel	<u>1,170</u>	<u>1,170</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

(c) Key management personnel

The remuneration of key management personnel are as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Short-term employee benefits		
- Fees	100	100
- Salary and other remuneration	1,798	1,553
- Benefits-in-kind	177	23
	<u>2,075</u>	<u>1,676</u>

The above remuneration includes directors remuneration as disclosed in Note 20 to the financial statements.

**23 TAXATION**

	<u>2011</u> RM'000	<u>2010</u> RM'000
Malaysian income tax		
Current year	4,232	6,002
(Over)/under provision of prior years taxation	(569)	31
Deferred taxation (Note 7)	19	1,536
Tax charge for the financial year	<u>3,682</u>	<u>7,569</u>

Numerical reconciliation between the average effective tax rate and the applicable tax rate

The average effective tax rate of the Bank differs from the statutory income tax rate of Malaysia as follows:

	<u>2011</u> %	<u>2010</u> %
Statutory/average income tax rate of Malaysia	24	20
(Over)/under provision of prior years taxation	(3)	-
Deferred taxation	-	5
Average effective tax rate	<u>21</u>	<u>25</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**24 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 commitments and contingencies constitute the following:

<b>Description</b>	<b>2011 Principal amount RM'000</b>	<b>2010 Principal amount RM'000</b>
Direct credit substitutes	38,497	26,302
Transaction related contingent Items	20,763	69,017
Short term self liquidating trade related contingencies	4,517	2,206
Foreign exchange related contracts		
One year or less	2,248,020	1,842,776
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	345,937	379,559
<b>Total</b>	<b>2,657,734</b>	<b>2,319,860</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**25 EARNINGS PER SHARE**

The earnings per share has been calculated based on profit after taxation of RM14,152,353 (2010: RM22,070,829) and the weighted average number of ordinary shares in issue during the financial year of RM135,800,000 (2010: RM135,800,000).

**26 CAPITAL ADEQUACY**

The capital adequacy ratios of the Bank are as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Tier-I Capital</u>		
Share capital	135,800	135,800
Statutory reserves	126,373	122,835
Retained profits	225,168	214,554
	<u>487,341</u>	<u>473,189</u>
- Deferred tax asset	-	-
Total Tier-I capital	<u>487,341</u>	<u>473,189</u>
<u>Tier-II Capital</u>		
Collective assessment allowance	2,821	4,452
Total capital base	<u>490,162</u>	<u>477,641</u>
<u>Capital ratios</u>		
Core capital ratio	115.16%	90.26%
Risk-weighted capital ratio	115.83%	91.11%

The detailed disclosures on the risk-weighted assets as set out in Notes 26(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).



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**26 CAPITAL ADEQUACY (CONTINUED)**

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

	<u>2011</u>		<u>2010</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%	1,165,761	-	770,399	-
20%	182,679	36,536	578,721	115,744
35%	809	283	955	334
50%	88,555	44,278	258,521	129,261
75%	707	530	654	490
100%	254,624	254,624	192,005	192,005
	<u>1,693,135</u>	<u>336,251</u>	<u>1,801,255</u>	<u>437,834</u>
(ii) Market Risk <sup>#</sup>	-	1,919	-	774
(iii) Operational Risk	-	85,017	-	85,625
	<u>1,693,135</u>	<u>423,187</u>	<u>1,801,255</u>	<u>524,233</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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**26 CAPITAL ADEQUACY (CONTINUED)**

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

2011 Exposure class	Gross exposures RM'000		Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<b><u>Credit risk</u></b>					
On-balance sheet exposures:					
Sovereigns/central banks	1,163,343		1,163,343	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	227,473		227,473	59,686	4,775
Corporates	130,174		130,174	120,377	9,630
Residential mortgages	1,700		1,700	906	72
Other assets	18,930		18,930	16,512	1,321
Defaulted exposures	138		138	133	11
Total on- balance sheet exposures	1,541,758		1,541,758	197,614	15,809
Off-balance sheet exposures:					
OTC derivatives	33,126		33,126	28,629	2,290
Off balance sheet exposures other than OTC derivatives or credit derivatives	118,969		118,251	110,008	8,801
Total off- balance sheet exposures	152,095		151,377	138,637	11,091
Total on and off- balance sheet exposures	1,693,853		1,693,135	336,251	26,900
<b><u>Market risk</u></b>	Long position	Short position			
Foreign currency risk	1,919	5		1,919	154
<b><u>Operational risk</u></b>				85,017	6,801
Total RWA and capital requirements				423,187	33,855

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**26 CAPITAL ADEQUACY (CONTINUED)**

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

2010 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
<b><u>Credit risk</u></b>				
On-balance sheet exposures:				
Sovereigns/central banks	769,236	769,236	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	782,707	782,707	222,817	17,825
Corporates	74,570	74,570	61,534	4,922
Residential mortgages	1,766	1,766	903	72
Other assets	13,625	13,625	12,462	996
Defaulted exposures	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
<b><u>Market risk</u></b>	Long position	Short position		
Foreign currency risk	774	425	774	62
<b><u>Operational risk</u></b>			85,625	6,717
Total RWA and capital requirements			524,233	41,803

Company No.	
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**CAPITAL ADEQUACY (CONTINUED)**

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

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%	1,163,343	-	-	-	-	-	2,418	-	1,165,761	-
20%	-	-	181,089	1,590	-	-	-	-	182,679	36,536
35%	-	-	-	-	809	-	-	-	809	283
50%	-	-	71,312	17,050	193	-	-	-	88,555	44,278
75%	-	-	-	-	707	-	-	-	707	530
100%	-	-	-	237,983	129	-	16,512	-	254,624	254,624
Total exposures	1,163,343	-	252,401	256,623	1,838	-	18,930	-	1,693,135	
Risk weighted assets by exposure										
Average risk weight	-	-	71,874	246,826	1,039	-	16,512	-		336,251
Deduction from capital base	0.00%	0.00%	28.48%	96.18%	56.53%	0.00%	87.23%	0.00%		19.86%

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**CAPITAL ADEQUACY (CONTINUED)**

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

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	-	-	-	-	-	-	-	-		

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**26 CAPITAL ADEQUACY (CONTINUED)**

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

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	2,248,020	19,365	33,126	28,629
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>

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
<b>Total</b>	<b>2,319,860</b>	<b>17,105</b>	<b>160,103</b>	<b>140,067</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**26 CAPITAL ADEQUACY (CONTINUED)**

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

In the normal course of business, the Bank make 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.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**27 USE OF FINANCIAL INSTRUMENTS**

**A Financial risk management objectives and policies**

The financial risk management objectives and policies of the Bank are managed by the various risk committees within the Bank.

**Market risk management**

The Bank is exposed to market risk as a consequence of the normal course of conducting its business activities. Market risk is the potential of loss arising from adverse changes in market rates of products such as foreign exchange, securities, interest rate, money and their derivative products. The Bank has established trading limits, an allocation process, operating controls and reporting requirements to manage risk, ensure compliance and provide accurate information. On an overall level, market risk is managed using the 'Daily Earnings at Risk' or DEAR model. This model evaluates risk in terms of potential loss associated with those financial instruments, based on historical price changes. Additionally, Net Position Limits are defined.

The Bank's market risk on derivatives arises from foreign exchange related contracts which comprise of forward contracts and options. The risk of option contracts is minimised as these transactions are entered into on a back to back basis. The risk of forward contracts is managed on a portfolio basis by currency.

The Bank's ability to estimate potential losses that could arise from adverse changes in market conditions is a key element of managing market risk. While quantitative measures are integral to the process, judgement and experience are crucial in assessing whether the Bank's level of market risk is acceptable.

**Credit risk management**

Credit risk is the risk that counterparty will fail to perform on an obligation to the Bank. This risk exists in both on and off- balance sheet items, such as loans and leases, certain securities, letters of credit, financial guarantees, unfunded loan commitments and settlement risk.

In order to manage the credit exposure, the bank assesses the creditworthiness of each borrower and counterparty and assigns it a risk rating on a 10 point scale. This enables credit officers to assess credit risk in all lines of business in the Bank in a uniform and consistent manner. Generally, the amount of limit sanctioned is linked to credit ratings and poor ratings require approval from higher levels of management.

Portfolio Management officers are responsible for the ongoing management and administration of credit by:

- Monitoring performance by updating the customer analysis and reviewing annually;
- Regularly meeting customers and obtaining relevant financial information;
- Recognising developing problems and promptly bringing them to the attention of management;
- Taking prompt corrective action on past due and non-accrual loans; and
- Maintaining proper credit file documentation and determining compliance with all loan covenants periodically.



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**A Financial risk management objectives and policies (continued)**

**Liquidity risk management**

Liquidity risk is defined as the risk that the Bank either does not have available sufficient financial resources to enable it to meet its obligations as and when they fall due, or can secure them only at excessive cost, thereby affecting profitability.

The primary means of implementing the liquidity policy is through placement of limits on short-dated money and foreign exchange positions. Liquidity limits are applied to two maturity periods: Cash and 7-Day. Cash positions are the net of all cash flows on the first business day following the reporting date and 7-Day positions are the net of all cash flows over the first seven business days.

The Bank also complies with various regulatory guidelines regarding required liquidity levels and periodically monitors its liquidity position in light of the changing economic environment and customer activity.

**Operational risk management**

Operating risk is the risk that the Bank will be subjected to unexpected loss due to deficiencies or failures in the information systems, operational and accounting processes, or internal controls (such as unauthorised activities, fraud, unchecked errors and omissions).

Operating risks are difficult to quantify compared to market and credit risks and are evaluated by examining a series of plausible 'worst case' or 'what if' scenarios, such as a doubling of transaction volume.

In order to minimise these risks, the Bank has established and maintained an effective internal control system. The objective is to promote effective and efficient operations, reliable financial and regulatory reporting and compliance with bank policies and relevant laws and regulations. Towards this end the Bank's operations went through a full-scale inspection by the ISO team and were awarded the ISO 9001 certification.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

27

**USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**B 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>2011</u>	<u>Assets</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
	Cash and short-term funds	1,264,583	-	-	-	-	15,373	-	1,279,956
	Deposits and placements with banks	-	6,006	-	-	-	-	-	6,006
	Securities available-for-sale	49,893	-	-	-	-	4,356	-	54,249
	Loans, advances and financing	62,509	98,754	6,766	18,378	2,430	(3,581) <sup>^</sup>	-	185,256
	Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	1,000	-	1,000
	Other assets	-	-	-	-	-	1,147	-	1,147
	Derivative assets	19,567	-	-	-	-	-	-	19,567
	Property, plant and equipment	-	-	-	-	-	9,823	-	9,823
	Tax recoverable	-	-	-	-	-	2,334	-	2,334
	<b>Total assets</b>	<b>1,396,552</b>	<b>104,760</b>	<b>6,766</b>	<b>18,378</b>	<b>2,430</b>	<b>30,452</b>	<b>-</b>	<b>1,559,338</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.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**B Interest rate risk (continued)**

<u>2011</u>	<u>Up to</u> <u>1 month</u> <u>RM'000</u>	<u>&gt;1 - 3</u> <u>months</u> <u>RM'000</u>	<u>&gt;3 - 12</u> <u>months</u> <u>RM'000</u>	<u>&gt;1 - 5</u> <u>years</u> <u>RM'000</u>	<u>Over</u> <u>5 years</u> <u>RM'000</u>	<u>Non-</u> <u>interest</u> <u>bearing</u> <u>RM'000</u>	<u>Trading</u> <u>book</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Liabilities</u>								
Deposits from customers	473,305	28,395	21,412	877	-	429,937	-	953,926
Deposits and placements of banks and other financial institutions	46,611	-	-	-	-	9,564	-	56,175
Bills and acceptances payable	-	-	-	-	-	37,839	-	37,839
Other liabilities	-	-	-	-	-	2,522	-	2,522
Derivative liabilities	18,360	-	-	-	-	-	-	18,360
Deferred tax liabilities	-	-	-	-	-	1,283	-	1,283
<b>Total liabilities</b>	<b>538,276</b>	<b>28,395</b>	<b>21,412</b>	<b>877</b>	<b>-</b>	<b>481,145</b>	<b>-</b>	<b>1,070,105</b>
<b>On balance sheet-interest rate gap</b>	<b>858,276</b>	<b>76,365</b>	<b>(14,646)</b>	<b>17,501</b>	<b>2,430</b>			

Company No.

310983 V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

27

**USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**B Interest rate risk (continued)**

2010	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>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) <sup>^</sup>	-	293,118
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	900	-	900
Other assets	-	-	-	-	-	2,225	-	2,225
Derivative assets	17,500	-	-	-	-	-	-	17,500
Property, plant and equipment	-	-	-	-	-	7,427	-	7,427
Tax recoverable	-	-	-	-	-	588	-	588
<b>Total assets</b>	<b>1,244,373</b>	<b>354,317</b>	<b>5,373</b>	<b>24,822</b>	<b>3,601</b>	<b>25,141</b>	<b>-</b>	<b>1,657,627</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.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

27

**USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**B Interest rate risk (continued)**

2010	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
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>345,034</b>	<b>144,370</b>	<b>43,790</b>	<b>936</b>	<b>-</b>	<b>648,481</b>	<b>-</b>	<b>1,182,611</b>
<b>On balance sheet-interest rate gap</b>	<b>899,339</b>	<b>209,947</b>	<b>(38,417)</b>	<b>23,886</b>	<b>3,601</b>			

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**B Interest rate risk (continued)**

The tables below summarises the effective average interest rates by major currency for each class of financial asset and financial liability:

	2011					2010	
	<u>MYR</u> %	<u>USD</u> %	<u>GBP</u> %	<u>EUR</u> %	<u>AUD</u> %	<u>MYR</u> %	<u>USD</u> %
<u>Financial assets</u>							
Cash and short-term funds	3.00	0.05	-	-	4.15	2.78	0.20
Deposits and placements with banks	-	-	0.55	-	-	-	-
Securities available-for-sale	3.01	-	-	-	-	2.84	-
Loans, advances and financing	3.68	1.43	-	-	-	4.97	1.60
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<u>Financial liabilities</u>							
Deposits from customers	2.95	0.20	0.35	0.05	3.93	2.66	0.13
Deposits and placements of banks and other financial institutions	3.00	0.42	-	-	-	2.75	0.37
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

**C 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.

It is unusual for any bank to completely match the maturity profile of its assets and liabilities as business transacted is often of uncertain terms and of different types. Therefore, controlled mismatching of the maturities of assets and liabilities is fundamental to prudent liquidity risk management of the Bank.

The Bank closely monitors its liquidity risk profile with a variety of tools which includes cash flow forecasts and maturity mismatch reports. For Malaysian Ringgit in particular, the Bank has established funding guidelines on the amount of external funding it obtains and conducts regular stress-testing to ensure that it will be able to meet its obligations when they come due.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

27

**USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

C

Liquidity risk (continued)

Contractual maturity of assets and liabilities

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining contractual maturity in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions:

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2011</u>								
<u>Assets</u>								
Cash and short term funds	1,278,668	1,288	-	-	-	-	-	1,279,956
Deposits and placements with banks	-	-	6,006	-	-	-	-	6,006
Securities available-for-sale	-	49,893	-	-	-	15	4,341	54,249
Loans, advances and financing	53,073	8,476	97,272	6,587	66	19,782	-	185,256
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	1,000	1,000
Other assets*	-	-	-	-	-	-	13,304	13,304
Derivative assets	9,952	3,277	1,844	626	3,384	484	-	19,567
	<u>1,341,693</u>	<u>62,934</u>	<u>105,122</u>	<u>7,213</u>	<u>3,450</u>	<u>20,281</u>	<u>18,645</u>	<u>1,559,338</u>

\* Includes tax recoverable, property, plant and equipment, and other assets.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**C Liquidity risk (continued)**

Contractual maturity of assets and liabilities (continued)

2011	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>Liabilities</u>								
Deposits from customers	690,428	212,814	28,395	1,745	19,667	877	-	953,926
Deposits and placements of banks and other financial institutions	53,380	2,795	-	-	-	-	-	56,175
Bills and acceptances payable	37,839	-	-	-	-	-	-	37,839
Other liabilities <sup>^</sup>	-	-	-	-	-	-	3,805	3,805
Derivative liabilities	10,047	4,315	1,321	4	2,673	-	-	18,360
	<u>791,694</u>	<u>219,924</u>	<u>29,716</u>	<u>1,749</u>	<u>22,340</u>	<u>877</u>	<u>3,805</u>	<u>1,070,105</u>
Net liquidity gap	549,999	(156,990)	75,406	5,464	(18,890)	19,404	14,840	

<sup>^</sup> Includes deferred tax liabilities and other liabilities.



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**C Liquidity risk (continued)**

Contractual maturity of assets and liabilities (continued)

2010

Assets

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Cash and short term funds	1,120,406	96,578	-	-	-	-	-	1,216,984
Securities available-for-sale	29,986	29,938	54,690	-	-	15	4,256	118,885
Loans, advances and financing	15,387	99,629	146,293	5,170	87	26,552	-	293,118
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	900	900
Other assets*	-	-	-	-	-	-	10,240	10,240
Derivative assets	14,064	950	1,480	869	137	-	-	17,500
	<u>1,179,843</u>	<u>227,095</u>	<u>202,463</u>	<u>6,039</u>	<u>224</u>	<u>26,567</u>	<u>15,396</u>	<u>1,657,627</u>

\* Includes tax recoverable, property, plant and equipment, and other assets.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**\* C Liquidity risk (continued)**

Contractual maturity of assets and liabilities (continued)

	2010	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>Liabilities</u>									
Deposits from customers	649,590	123,426	2,009	2,298	41,617	711	-	-	819,651
Deposits and placements of banks and other financial institutions	94,251	90,941	117,328	-	-	-	-	-	302,520
Bills and acceptances payable	37,467	-	-	-	-	-	-	-	37,467
Other liabilities <sup>^</sup>	-	-	-	-	-	-	-	3,527	3,527
Derivative liabilities	15,822	712	1,015	1,251	646	-	-	-	19,446
	<u>797,130</u>	<u>215,079</u>	<u>120,352</u>	<u>3,549</u>	<u>42,263</u>	<u>711</u>	<u>3,527</u>	<u>1,182,611</u>	
Net liquidity gap	382,713	12,016	82,111	2,490	(42,039)	25,856	11,869		

<sup>^</sup> Includes deferred tax liabilities and other liabilities.

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**C Liquidity risk (continued)**

**Non-derivative financial liabilities**

The tables below analyses the Bank's non-derivative financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2011</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	690,439	234,172	7,397	1,762	20,169	878	-	954,817
Deposits and placements of banks and other financial institutions	53,382	2,800	-	-	-	-	-	56,182
Bills and acceptances payable	37,839	-	-	-	-	-	-	37,839
Other liabilities <sup>^</sup>	-	-	-	-	-	-	858	858
	<u>781,660</u>	<u>236,972</u>	<u>7,397</u>	<u>1,762</u>	<u>20,169</u>	<u>878</u>	<u>858</u>	<u>1,049,696</u>

<sup>^</sup> Excludes accruals and unearned discount on loans, advances and financing.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**C Liquidity risk (continued)**

**Non-derivative financial liabilities (continued)**

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2010</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	649,597	123,610	2,019	2,318	42,641	712	-	820,897
Deposits and placements of banks and other financial institutions	94,252	90,961	117,407	-	-	-	-	302,620
Bills and acceptances payable	37,467	-	-	-	-	-	-	37,467
Other liabilities <sup>^</sup>	-	-	-	-	-	-	578	578
	<u>781,316</u>	<u>214,571</u>	<u>119,426</u>	<u>2,318</u>	<u>42,641</u>	<u>712</u>	<u>578</u>	<u>1,161,562</u>

<sup>^</sup> Excludes accruals and unearned discount on loans, advances and financing.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

27 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities (continued)

The following table presents the contractual expiry by maturity of the Bank's commitment and contingencies:

	One year or less RM'000	Over one year RM'000	Total RM'000
<u>2011</u>			
Direct credit substitutes	28,105	10,392	38,497
Transaction related contingent items	7,465	13,298	20,763
Short term self liquidating trade related contingencies	2,420	2,097	4,517
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	345,937	-	345,937
	<u>383,927</u>	<u>25,787</u>	<u>409,714</u>
<u>2010</u>			
Direct credit substitutes	17,462	8,840	26,302
Transaction related contingent items	60,271	8,746	69,017
Short term self liquidating trade related Contingencies	2,206	-	2,206
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	379,559	-	379,559
	<u>459,498</u>	<u>17,586</u>	<u>477,084</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**C Liquidity risk (continued)**

Derivative financial liabilities

The table below analyses the Bank's derivative financial instruments based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	Total RM'000
<b>2011</b>							
<u>Gross-settled derivatives</u>							
<u>Forwards and swaps</u>							
Receipts	1,583,613	199,166	134,642	96,244	181,251	37,570	2,232,486
Payments	(1,583,568)	(200,136)	(134,155)	(95,032)	(181,488)	(37,600)	(2,231,979)
	45	(970)	487	1,212	(237)	(30)	507
<b>2010</b>							
<u>Gross-settled derivatives</u>							
<u>Forwards and swaps</u>							
Receipts	1,493,684	72,489	64,245	135,370	56,297	-	1,822,085
Payments	(1,495,449)	(72,356)	(63,660)	(135,851)	(57,197)	-	(1,824,513)
	(1,765)	133	585	(481)	(900)	-	(2,428)

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**D Currency risk**

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table below sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

<u>2011</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>							
Cash and short-term funds	1,114,543	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>	127,538	57,718	-	-	-	-	185,256
Other assets <sup>*</sup>	92	-	-	-	-	-	92
Derivative assets	19,567	-	-	-	-	-	19,567
Statutory deposit with Bank Negara Malaysia	1,000	-	-	-	-	-	1,000
	<u>1,316,989</u>	<u>216,536</u>	<u>617</u>	<u>6,322</u>	<u>2,692</u>	<u>2,970</u>	<u>1,546,126</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**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**D Currency risk (continued)**

<u>2011</u>	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Liabilities</u>							
Deposits from customers	658,777	283,920	458	6,075	2,595	2,101	953,926
Deposits and placements from banks and other financial institutions	12,360	43,815	-	-	-	-	56,175
Bills and acceptances payable	34,878	2,961	-	-	-	-	37,839
Other liabilities <sup>@</sup>	809	-	-	49	-	-	858
Derivative liabilities	18,360	-	-	-	-	-	18,360
	<u>725,184</u>	<u>330,696</u>	<u>458</u>	<u>6,124</u>	<u>2,595</u>	<u>2,101</u>	<u>1,067,158</u>
Currency gap	591,805	(114,160)	159	198	97	869	

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



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**D Currency risk (continued)**

<u>2010</u>	<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 <sup>^</sup>	69,415	223,703	-	-	293,118
Other assets*	7	146	-	-	153
Derivative assets	17,500	-	-	-	17,500
Statutory deposit with Bank Negara Malaysia	900	-	-	-	900
	<u>1,423,583</u>	<u>223,937</u>	<u>19</u>	<u>1</u>	<u>1,647,540</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 <sup>@</sup>	470	68	-	40	578
Derivative liabilities	19,446	-	-	-	19,446
	<u>616,022</u>	<u>552,220</u>	<u>319</u>	<u>11,101</u>	<u>1,179,662</u>
Currency gap	<u>807,561</u>	<u>(328,283)</u>	<u>(300)</u>	<u>(11,100)</u>	

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

\* This represents other receivables.

@ This represents other payables.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk**

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivative financial instruments.

The maximum exposure is shown gross, without taking account of any collateral held or other credit enhancements.

	<u>Note</u>	<u>2011</u> RM'000	<u>2010</u> RM'000
<u>Assets</u>			
Cash and short-term funds	2	1,279,956	1,216,984
Deposits and placements with banks		6,006	-
Securities available-for-sale ('AFS')	3	49,908	114,629
Loans, advances and financing <sup>^</sup>	4	188,837	299,233
Other assets		92	153
Derivative assets	6	19,567	17,500
<b>Total assets*</b>		<u>1,544,366</u>	<u>1,648,499</u>
 Commitments and contingencies		<u>2,657,734</u>	<u>2,319,860</u>
<b>Total credit exposure</b>		<u>4,202,100</u>	<u>3,968,359</u>

<sup>^</sup> Excludes collective impairment and individual impairment of RM3,581,045 (2010: RM6,115,418).

\* Excludes unquoted shares, prepayments and deposits.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 26(c).

Where financial instruments are recorded by fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Collaterals

The main types of collaterals obtained by the Bank are as follows:

- (a) Fixed deposits
- (b) Residential properties

The Bank also accepts non-tangible securities such as support, guarantees from corporate and institutions which are subject to internal guidelines on eligibility.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

Concentration risk by geographical sectors

Credit risk exposure analysed by country in respect of the Bank's financial assets, including off-balance sheet financial instruments, are set out in the following table.

The country exposure analysis is based on the residency of the borrowers and counterparties. In respect of derivatives financial instruments, the amount subject to, and hence disclosed as, credit risk is limited to the current fair value of the instruments that are favourable to the Bank (i.e. assets).

2011	Cash and short-term funds RM'000	Deposits and placements with banks RM'000	Securities available-for-sale ('AFS') RM'000	Loans, advances and financing <sup>^</sup> RM'000	Other assets RM'000	Derivative assets RM'000	On balance sheet total* RM'000	Commitments and contingencies RM'000	Total exposure RM'000
Malaysia	1,266,980	-	49,908	132,438	92	15,707	1,465,125	2,455,134	3,920,259
USA	6,389	-	-	-	-	571	6,960	76,003	82,963
India	3	-	-	56,379	-	-	56,382	-	56,382
Singapore	1,897	6,006	-	20	-	7	7,930	2,003	9,933
Others	4,687	-	-	-	-	3,282	7,969	124,594	132,563
	<u>1,279,956</u>	<u>6,006</u>	<u>49,908</u>	<u>188,837</u>	<u>92</u>	<u>19,567</u>	<u>1,544,366</u>	<u>2,657,734</u>	<u>4,202,100</u>

<sup>^</sup> Excludes collective assessment allowance and individual assessment allowance of RM3,581,045.

\* Excludes unquoted shares, prepayments and deposits.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 26(c).

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

Concentration risk by geographical sectors (continued)

2010	Cash, short-term funds RM'000	Securities available- for-sale (AFS) <sup>^</sup> RM'000	Loans, advances and financing <sup>^</sup> RM'000	Other assets RM'000	Derivative assets RM'000	On balance sheet total* RM'000	Commitments and contingencies RM'000	Total exposure RM'000
Malaysia	895,582	114,629	78,316	7	17,407	1,105,941	2,152,392	3,258,333
USA	309,317	-	-	146	93	309,556	117,264	426,820
India	-	-	220,917	-	-	220,917	2,017	222,934
Singapore	392	-	-	-	-	392	-	392
Others	11,693	-	-	-	-	11,693	48,187	59,880
	<u>1,216,984</u>	<u>114,629</u>	<u>299,233</u>	<u>153</u>	<u>17,500</u>	<u>1,648,499</u>	<u>2,319,860</u>	<u>3,968,359</u>

<sup>^</sup> Excludes collective assessment allowance and individual assessment allowance of RM6,115,418.

\* Excludes unquoted shares, prepayments and deposits.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 26(c).

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

Concentration of risk by economic sectors

	Cash and short-term funds	Deposits and placements with banks	Securities available-for-sale	Loans and advances <sup>^</sup>	Other assets	Derivative assets	On-balance sheet total*	Commitments and contingencies	Total exposure
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2011</b>									
Mining & quarrying	-	-	-	-	-	-	-	19,000	19,000
Manufacturing	-	-	-	96,689	-	14,715	111,404	1,343,168	1,454,572
General commerce	-	-	-	31,895	-	311	32,206	189,860	222,066
Transport, storage & communications	-	-	-	-	-	-	-	15,845	15,845
Finance, insurance and business services	167,689	6,006	-	56,379	-	4,541	234,615	1,089,861	1,324,476
Government & Government Agencies	1,112,267	-	49,908	-	-	-	1,162,175	-	1,162,175
Purchase of residential landed property, securities and transport vehicles	-	-	-	3,741	-	-	3,741	-	3,741
Others	-	-	-	133	92	-	225	-	225
	<u>1,279,956</u>	<u>6,006</u>	<u>49,908</u>	<u>188,837</u>	<u>92</u>	<u>19,567</u>	<u>1,544,366</u>	<u>2,657,734</u>	<u>4,202,100</u>

<sup>^</sup> Excludes collective assessment allowance and individual assessment allowance of RM3,581,045

\* Excludes unquoted shares, prepayments and deposits.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 26(c).

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

Concentration of risk by economic sectors (continued)

2010	Cash and short-term funds RM'000	Securities available-for-sale RM'000	Loans and advances <sup>^</sup> RM'000	Other assets RM'000	Derivative assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000	Total exposure RM'000
Mining & quarrying	-	-	-	-	-	-	19,000	19,000
Manufacturing	-	-	39,790	-	-	39,790	1,255,497	1,295,287
General commerce	-	-	27,807	146	704	28,657	102,549	131,206
Finance, insurance and business services	1,216,984	-	226,603	5	16,796	1,460,388	942,814	2,403,202
Government & Government Agencies	-	114,629	-	-	-	114,629	-	114,629
Purchase of residential landed property, securities and transport vehicles	-	-	4,717	-	-	4,717	-	4,717
Others	-	-	316	2	-	318	-	318
	1,216,984	114,629	299,233	153	17,500	1,648,499	2,319,860	3,968,359

<sup>^</sup> Excludes collective assessment allowance and individual assessment allowance of RM6,115,418.

\* Excludes unquoted shares, prepayments and deposits.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 26(c).

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

**Loans, advances and financing**

Loans, advances and financing are summarised as follows:

	<u>2011</u> RM'000	<u>2010</u> RM'000
Neither past due nor impaired	187,352	297,041
Past due but not impaired	594	192
Individually impaired	891	2,000
Gross	<u>188,837</u>	<u>299,233</u>
Less: Allowance for losses on loans, advances and financing		
- Individual assessment allowance	(760)	(1,656)
- Collective assessment allowance	<u>(2,821)</u>	<u>(4,459)</u>
Net	<u><u>185,256</u></u>	<u><u>293,118</u></u>

**(a) Loans, advances, and financing neither past due nor impaired**

The credit quality of the portfolio of loans, advances and financing that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	<u>Large corporate customers</u> RM'000	<u>Staff loans</u> RM'000	<u>Mortgages</u> RM'000	<u>Total</u> RM'000
<u>2011</u>				
(RR1) – Exceptional	-	-	-	-
(RR2) – Excellent	76,094	-	-	76,094
(RR3) – Strong	2,500	-	-	2,500
(RR4) – Good	9,077	1,276	3	10,356
(RR5) – Satisfactory	36,355	-	-	36,355
(RR6) – Acceptable	60,937	-	1,110	62,047
Total	<u><u>184,963</u></u>	<u><u>1,276</u></u>	<u><u>1,113</u></u>	<u><u>187,352</u></u>

\*RR = Risk Rating

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

Loans, advances and financing (continued)

(a) Loans, advances and financing neither past due nor impaired (continued)

	Large corporate customers RM'000	Staff loans RM'000	Mortgages RM'000	Total RM'000
<u>2010</u>				
(RR1) – Exceptional	-	-	-	-
(RR2) – Excellent	7,569	-	-	7,569
(RR3) – Strong	10,805	-	-	10,805
(RR4) – Good	-	1,528	-	1,528
(RR5) – Satisfactory	99,386	-	-	99,386
(RR6) – Acceptable	176,258	-	1,495	177,753
Total	<u>294,018</u>	<u>1,528</u>	<u>1,495</u>	<u>297,041</u>

\*RR = Risk Rating

(b) Loans, advances and financing past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans, advances and financing less than 90 days past due not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans, advances and financing by class to customers that were past due but not impaired were as follows:

	<u>Mortgages</u> RM'000
<u>2011</u>	
Past due up to 30 days	465
Past due 30 – 60 days	86
Past due 60 – 90 days	43
Past due more than 90 days	-
Total	<u>594</u>



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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

**(b) Loans, advances and financing past due but not impaired (continued)**

	<u>Mortgages</u> RM'000
<u>2010</u>	
Past due up to 30 days	107
Past due 30 – 60 days	51
Past due 60 – 90 days	14
Past due more than 90 days	20
Total	<u>192</u>

**(c) Loans, advances and financing individually impaired**

The breakdowns of the amount if individually impaired loans, advances and financing by class are as follow:

	<u>Large corporate customers</u> RM'000	<u>Staff loans</u> RM'000	<u>Mortgages</u> RM'000	<u>Total</u> RM'000
<u>2011</u>				
Gross impaired	-	-	891	891
Less: Individual allowance	-	-	(760)	(760)
Net impaired	<u>-</u>	<u>-</u>	<u>131</u>	<u>131</u>
<u>2010</u>				
Gross amount	152	391	1,457	2,000
Less: Individual allowance	(149)	(215)	(1,292)	(1,656)
Net impaired	<u>3</u>	<u>176</u>	<u>165</u>	<u>344</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**E Credit risk (continued)**

**Credit quality of financial assets**

The table below presents an analysis of the credit quality of treasury bills and securities for the Bank by rating agency as at 31 December are summarised as follows:

	Available-for-sale			
	Cash and Short-term funds RM'000	Bank Negara Bills RM'000	Unquoted securities RM'000	Total RM'000
<u>2011</u>				
AAA	1,114,868	49,893	15	1,164,776
<u>2010</u>				
AAA	1,216,984	114,614	15	1,331,613

**F Market risk**

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Bank as at 31 December 2011.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by risk management to mitigate the effect of this movement in key variables. In reality, the Bank proactively seek to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

**Interest/profit rate risk sensitivity analysis**

	Impact on profit after tax RM'000
<u>2011</u>	
+ 50 basis points	879
+ 25 basis points	439
- 10 basis points	(174)

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

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

**F Market risk (continued)**

Interest/profit rate risk sensitivity analysis (continued)

	Impact on <u>profit after tax</u> RM'000
<u>2010</u>	
+ 50 basis points	1,029
+ 25 basis points	515
- 10 basis points	(205)
	<u>          </u>
<u>Foreign currency sensitivity analysis</u>	
<u>2011</u>	
+ 5%	(2,829)
- 5%	2,834
	<u>          </u>
<u>2010</u>	
+ 5%	5
- 5%	(5)
	<u>          </u>

**28 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include fixed assets, investment in subsidiaries and associates and intangibles.

A range of methodologies and assumptions had been used in deriving the fair values of the Bank's financial instruments at balance sheet date.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**28 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Short-term funds and deposits and placements with financial institutions

For short-term funds and deposits and placements with financial institutions with maturities of less than one year, the carrying value is a reasonable estimate of fair value. For short-term funds and deposits and placements with financial institutions, the fair values approximate the fair value as these balances are subject to variable interest rate.

Securities available-for-sale

The Bank uses the following hierarchy for determining and disclosing the fair value of securities available for sale:

Level 1: quoted prices in active markets for the same instrument (i.e. without modification or repackaging)

Level 2: quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<u>2011</u>	<u>Fair value measurement at end of the financial year using:</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Description</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank Negara Malaysia Bills	49,893	-	49,893	-
Unquoted shares	4,341	-	-	4,341
<b>Total</b>	<b>54,234</b>	<b>-</b>	<b>49,893</b>	<b>4,341</b>

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**28 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Securities available-for-sale (continued)

(a) Reconciliation from beginning to ending balances for Level 3 securities available-for-sale

	Unquoted shares RM'000
<u>2011</u>	
Opening balance	4,256
Total gain or loss	
- in profit	-
- in other comprehensive income	85
Purchases	-
Settlement	-
Closing balance	<u>4,341</u>

(b) Gains or losses recognised in income statement for Level 3 securities available-for-sale

	Unquoted shares RM'000
<u>2011</u>	
Total gain or losses for the year included in profit or loss for assets held at the end of the financial year	<u>85</u>

Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of specific allowance and interest-in-suspense, being the expected recoverable amount.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**28 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of one year or more, the fair values approximate the fair value as these balances are subject to variable interest rate.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying values. For deposits and placements with maturities six months or more, the fair values approximate the fair value as these balances are subject to variable interest rate.

Other assets and other liabilities

The carrying value less any allowances included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Bills and acceptance payable

The estimated fair values of bills and acceptance payable with maturities of less than one year approximate the carrying values. For bills and acceptances payable with maturities of one year or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptances payable with similar periods to maturity.

As at the end of the year, the carrying amounts of all balances in the financial statements of the Bank approximate the fair values.

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2011 (CONTINUED)**

**29 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on

**23 MAY 2012**

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

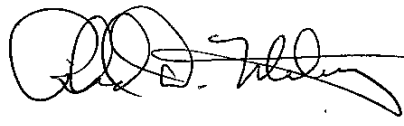
**STATEMENT BY DIRECTORS PURSUANT TO  
SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, Ong Guat Kee and Richard David Maloney Jr, being two of the Directors of Bank of America Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 12 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2011 and of the results and cash flows of the Bank for the financial year ended on that date and in accordance with the provisions of the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 May 2012



ONG GUAT KEE  
DIRECTOR



RICHARD DAVID MALONEY JR  
DIRECTOR

**STATUTORY DECLARATION PURSUANT TO SECTION 169(16)  
OF THE COMPANIES ACT, 1965**

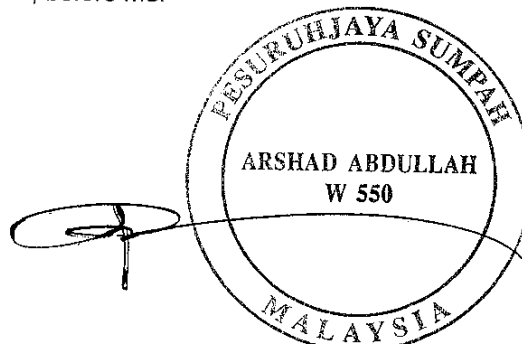
I, Hee Wei Jean, the officer primarily responsible for the financial management of Bank of America Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 93 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



HEE WEI JEAN

Subscribed and solemnly declared by the above named Hee Wei Jean at Kuala Lumpur on  
23 May 2012, before me.

COMMISSIONER FOR OATHS



NO. 102 & 104 1st FLOOR BANGUNAN  
PERSATUAN YAP SELANGOR  
JALAN TUN HS LEE  
50000 KUALA LUMPUR





## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

(Company No. 310983 V)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank of America Malaysia Berhad, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 93.

#### Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards in Malaysia, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act 1965, and for such internal controls as the directors determine are necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,  
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, [www.pwc.com/my](http://www.pwc.com/my)



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BANK OF AMERICA MALAYSIA BERHAD (CONTINUED)

(Incorporated in Malaysia)

(Company No. 310983 V)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act 1965 so as to give a true and fair view of the financial position of the Bank as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

SOO HOO KHOON YEAP

(No. 2682/10/13 (J))

Chartered Accountant

Kuala Lumpur, Malaysia

19 June 2012