

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

THIRD QUARTER ENDED 30 SEPTEMBER 2012

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

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

	<u>Note</u>	<u>30.9.2012</u> RM'000	<u>(Restated)</u> <u>31.12.2011</u> RM'000	<u>(Restated)</u> <u>01.01.2011</u> RM'000
ASSETS				
Cash and short-term funds		1,657,207	1,279,956	1,216,984
Deposits and placements with banks		-	6,006	-
Securities held-for-trading	7	440,159	-	-
Securities available-for-sale	8	138,400	54,249	118,885
Loans, advances and financing	9	114,985	187,070	295,489
Derivative assets		9,539	19,567	17,500
Other assets	10	1,388	1,147	2,225
Tax recoverable		3,893	2,334	588
Statutory deposits with Bank Negara Malaysia		5,220	1,000	900
Property, plant and equipment	12	8,789	9,823	7,427
TOTAL ASSETS		<u>2,379,580</u>	<u>1,561,152</u>	<u>1,660,527</u>
LIABILITIES				
Deposits from customers	15	1,310,910	953,926	819,651
Deposits and placements of banks and other financial institutions	16	536,760	56,175	302,520
Bills and acceptances payable		17,976	37,839	37,467
Derivative liabilities		12,576	18,360	19,446
Other liabilities	17	4,666	2,522	2,284
Deferred tax liabilities	18	2,012	1,737	2,365
TOTAL LIABILITIES		<u>1,884,900</u>	<u>1,070,559</u>	<u>1,183,733</u>
EQUITY				
Share capital		135,800	135,800	135,800
Reserves		358,880	354,793	340,994
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>494,680</u>	<u>490,593</u>	<u>476,794</u>
TOTAL LIABILITIES AND EQUITY		<u>2,379,580</u>	<u>1,561,152</u>	<u>1,660,527</u>
COMMITMENTS AND CONTINGENCIES	30	<u>3,406,533</u>	<u>2,657,734</u>	<u>2,319,860</u>
CAPITAL ADEQUACY				
Core capital ratio		67.46%	115.16%	90.26%
Risk-weighted capital ratio		67.56%	115.39%	90.66%

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2012

	<u>Note</u>	Current financial third quarter ended 30.9.2012 RM'000	Preceding financial third quarter ended 30.9.2011 RM'000
Interest income	19	33,316	27,616
Interest expense	20	(10,811)	(5,795)
Net interest income		<u>22,505</u>	<u>21,821</u>
Other operating income	21	16,751	15,331
Net income		<u>39,256</u>	<u>37,152</u>
Other operating expenses	22	(33,165)	(22,386)
Profit before allowance		6,091	14,766
Write back of losses on loans, advances and financing	23	328	1,081
Profit before taxation		6,419	15,847
Taxation		(2,337)	(3,221)
Net profit for the period		<u>4,082</u>	<u>12,626</u>
Other comprehensive income (net of tax)			
Fair value reserve:			
Net change in fair value of securities available-for-sale		6	80
Income tax relating to change in fair value of securities available-for-sale		(1)	(20)
Other comprehensive income (net of tax)		<u>5</u>	<u>60</u>
Total comprehensive income for the period		<u><u>4,087</u></u>	<u><u>12,686</u></u>
Earnings per share (sen)		<u><u>3.01</u></u>	<u><u>9.30</u></u>

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CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2012

	Share capital RM'000	Non distributable			Distributable	Total RM'000
		Statutory reserves RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Retained profit RM'000	
At 1 January 2012						
- as previously state	135,800	126,373	1,892	-	225,168	489,233
- effects of change in accounting policy, net of tax	-	-	-	1,360	-	1,360
As restated	135,800	126,373	1,892	1,360	225,168	490,593
Total comprehensive income for the financial period	-	-	5	-	4,082	4,087
At 30 September 2012	135,800	126,373	1,897	1,360	229,250	494,680
At 1 January 2011						
- as previously state	135,800	122,835	1,827	-	214,554	475,016
- effects of change in accounting policy, net of tax	-	-	-	1,778	-	1,778
As restated	135,800	122,835	1,827	1,778	214,554	476,794
Total comprehensive income for the financial period	-	-	60	-	12,626	12,686
At 30 September 2011	135,800	122,835	1,887	1,778	227,180	489,480

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INTERIM FINANCIAL STATEMENT
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2012

	Current financial third quarter ended 30.9.2012 <u>RM'000</u>	(Restated) Preceding financial third quarter ended 30.9.2011 <u>RM'000</u>
Profit before taxation	6,419	15,847
Adjustments for non-cash items	5,121	4,296
Operating profit before working capital changes	<u>11,540</u>	<u>20,143</u>
Changes in working capital:		
Net changes in operating assets	(360,042)	(38,612)
Net changes in operating liabilities	814,066	(19,215)
Income tax paid	(3,622)	(5,314)
Net cash generated from/(used in) operating activities	<u>461,942</u>	<u>(42,998)</u>
Net cash (used in)/generated from investing activities	<u>(84,691)</u>	<u>59,548</u>
Net change in cash and cash equivalents	377,251	16,550
Cash and cash equivalents at beginning of the year	<u>1,279,956</u>	<u>1,216,984</u>
Cash and cash equivalents at the end of the period	<u><u>1,657,207</u></u>	<u><u>1,233,534</u></u>

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EXPLANATORY NOTES

1 BASIS OF PREPARATION

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

The unaudited condensed interim financial statements of the Bank for the third financial quarter ended 30 September 2012 have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the MASB. In adopting the new framework, the Bank has also applied provisions in MFRS 1 "First-time adoption of MFRS" applicable to preparation of interim financial statements.

The Bank's interim condensed financial statements should be read together with the Bank's audited financial statements for the financial year ended 31 December 2011. The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements and are in compliance with the MFRS framework except as follows:

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

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

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

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

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

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EXPLANATORY NOTES

2 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the preceding financial year ended 31 December 2011 was not subject to any qualification.

3 SEASONAL OR CYCLICALITY FACTORS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial third quarter ended 30 September 2012.

5 CHANGES IN ESTIMATES

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial third quarter ended 30 September 2012.

6 ISSUANCE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

There were no cancellations, repurchase, resale or repayments of debt and equity securities during the current financial third quarter under review.

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EXPLANATORY NOTES

7 SECURITIES HELD-FOR-TRADING

	<u>30.9.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
Malaysian Government Securities	361,493	-
Bank Negara Malaysia Bills	78,666	-
	440,159	-
	440,159	-

8 SECURITIES AVAILABLE-FOR-SALE

Money market instruments:
Unquoted:

Bank Negara Malaysia Bills	134,044	49,893
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Unquoted securities in Malaysia:

Shares	4,341	4,341
Bonds	15	15
	138,400	54,249
Total securities available-for-sale	138,400	54,249

9 LOANS, ADVANCES AND FINANCING

	<u>30.9.2012</u>	<u>(Restated)</u> <u>31.12.2011</u>
	RM'000	RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	9,617	1,071
Term loans		
- Factoring receivables	23,547	-
Claims on customers under acceptance credits	20,596	75,785
Staff loans	1,168	1,276
Revolving advances	57,666	104,863
Bills discounted	1,578	3,244
Real estate loans	2,310	2,598
	116,482	188,837
Gross loans, advances and financing	116,482	188,837
Allowance for losses on loans, advances and financing:		
- Individual assessment	(744)	(760)
- Collective assessment	(753)	(1,007)
	114,985	187,070
Total net loans, advances and financing	114,985	187,070

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2012</u> RM'000	<u>31.12.2011</u> RM'000
(b) Loans, advances and financing analysed by geographical distribution:		
Malaysia	113,048	132,458
India	3,434	56,379
	<u>116,482</u>	<u>188,837</u>
(c) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	95,168	128,584
Domestic banking financial institutions	1,941	-
Domestic non-banking financial institutions	12,461	-
Individuals	3,478	3,874
Foreign entities	3,434	56,379
	<u>116,482</u>	<u>188,837</u>
(d) Loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	948	1,007
- Other fixed rate loans	90,292	167,041
Variable rate		
- BLR plus	11,927	3,669
- Other variable rates	13,315	17,050
	<u>116,482</u>	<u>188,837</u>
(e) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	90	78
Purchase of landed property (residential)	3,249	3,663
Personal use	47	52
Purchase of consumer durables	92	81
Working capital	113,004	184,963
	<u>116,482</u>	<u>188,837</u>

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2012</u> RM'000	<u>31.12.2011</u> RM'000
(f) Loans, advances and financing analysed by residual contractual maturity:		
Within one year	94,983	168,029
One year to three years	18,698	17,594
Three to five years	545	784
Over five years	2,256	2,430
	<u>116,482</u>	<u>188,837</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	891	2,000
Classified as impaired during the financial period/year	93	1,172
Interest income recognised during the financial period/year	45	67
Amount recovered during the financial period/year	(96)	(532)
Reclassified as non-impaired	(22)	(1,816)
	<u>911</u>	<u>891</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.78%</u>	<u>0.47%</u>
		(Restated)
	<u>30.9.2012</u> RM'000	<u>31.12.2011</u> RM'000
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January		
- as previously stated	2,821	4,459
- effects of change in accounting policy	(1,814)	(2,371)
	<u>1,007</u>	<u>2,088</u>
As restated	1,007	2,088
Write back made during the financial period/year	(254)	(1,081)
	<u>753</u>	<u>1,007</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.65%</u>	<u>0.54%</u>

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9 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2012</u> RM'000	<u>31.12.2011</u> RM'000
(i) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	760	1,656
Allowance made during the financial period/year	35	48
Write back made during the financial period/year	(51)	(944)
	<u>744</u>	<u>760</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>911</u>	<u>891</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	902	882
Other purpose	9	9
	<u>911</u>	<u>891</u>

10 OTHER ASSETS

Other receivables	341	92
Deposits	32	32
Prepayments	1,015	1,023
	<u>1,388</u>	<u>1,147</u>

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EXPLANATORY NOTES

11 PRE-ACQUISITION PROFITS

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

12 PROPERTY, PLANT AND EQUIPMENT

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

13 PROFITS ON SALE OF INVESTMENTS/PROPERTIES

There were no material gains or loss on disposal of investments (other than in the ordinary course of business) and/or properties for the financial third quarter under review.

14 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

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EXPLANATORY NOTES

15 DEPOSITS FROM CUSTOMERS

	<u>30.9.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
(a) By type of deposit		
Demand deposits	862,674	608,010
Saving deposits	244	333
Fixed deposits	447,992	345,583
	<u>1,310,910</u>	<u>953,926</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	422,969	321,903
Six months to one year	192	201
One year to five years	24,615	23,257
More than five years	216	222
	<u>447,992</u>	<u>345,583</u>
(c) By type of customers:		
Business enterprises	1,300,526	945,497
Individuals	8,709	7,446
Others	1,675	983
	<u>1,310,910</u>	<u>953,926</u>

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Licensed banks	491,555	44,373
Other financial institutions	45,205	11,802
	<u>536,760</u>	<u>56,175</u>

17 OTHER LIABILITIES

Unearned discount on loans, advances and financing	56	123
Other payables	3,582	858
Accruals	1,028	1,541
	<u>4,666</u>	<u>2,522</u>

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18 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 are shown in the balance sheet:

	<u>30.9.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
Deferred tax assets	188	571
Deferred tax liabilities	(2,200)	(2,308)
	<u>(2,012)</u>	<u>(1,737)</u>

19 INTEREST INCOME

	Current financial third quarter ended <u>30.9.2012</u>	Preceding financial third quarter ended <u>30.9.2011</u>
	RM'000	RM'000
Loans, advances and financing	4,044	4,139
Money at call and deposit placements with banks and other financial institutions	25,167	21,968
Securities available-for-sale	1,884	1,509
Securities held-for-trading	2,221	-
Total interest income	<u>33,316</u>	<u>27,616</u>

20 INTEREST EXPENSE

Deposits and placement of bank and other financial institutions	288	513
Deposits from customers	10,482	5,280
Others	41	2
Total interest expense	<u>10,811</u>	<u>5,795</u>

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21 OTHER OPERATING INCOME

	Current financial third quarter ended <u>30.9.2012</u> RM'000	Preceding financial third quarter ended <u>30.9.2011</u> RM'000
<u>Fee income</u>		
Commission	535	700
Service charges/fees	3,434	2,879
Guarantee fees	564	183
Other fee income	496	1,600
	<u>5,029</u>	<u>5,362</u>
<u>Gross dividend income</u>		
Securities available-for-sale	13	13
<u>Net loss arising from securities held-for-trading</u>		
Net loss from sale of securities held-for-trading	(1,705)	-
Unrealised revaluation loss on securities-held-for-trading	(774)	-
Unrealised (loss)/gain on revaluation of derivatives	(3,037)	3,079
Realised foreign exchange gain	17,159	6,876
Gain on sale of property, plant and equipment	66	1
	<u>16,751</u>	<u>15,331</u>

22 OTHER OPERATING EXPENSES

Personnel costs	10,673	7,088
Establishment costs	8,329	6,397
Marketing expenses	358	323
Administration and general expenses	13,805	8,578
	<u>33,165</u>	<u>22,386</u>

Included in the above expenditure are the follows:

Depreciation of property, plant and equipment	3,543	2,158
Pension cost – defined contribution plan – EPF	1,633	961
Communication expenses	2,274	571
Shared administrative support expenses	9,848	6,673
	<u>17,298</u>	<u>10,363</u>

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23 WRITE BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING

	Current financial half-year ended <u>30.9.2012</u> RM'000	(Restated) Preceding financial half-year ended <u>30.9.2011</u> RM'000
Allowance for impaired loans, advances and financing:-		
Individual assessment allowance		
- made during the financial period	35	357
- written back during the financial period	(51)	(730)
Collective assessment allowance written back during the financial period	(254)	(625)
Bad debts on loans, advances and financing		
- recovered	(58)	(102)
- written off	-	19
	(328)	(1,081)
	(328)	(1,081)

24 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

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

25 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no significant events subsequent to the balance sheet date which have not been disclosed in these condensed interim financial statements.

26 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial third quarter ended 30 September 2012.

27 SEGMENTAL REPORTING ON REVENUE, PROFIT AND ASSETS

Segmental reporting has not been prepared as there are no other segments other than the commercial banking segment.

28 There were no dividends paid or declared for the financial third quarter ended 30 September 2012.

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS

(a) Interest rate risk

The tables below summarise the Bank's exposure to interest rate risks. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

	← Non-trading book →				Non- interest bearing RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000			
<u>Assets</u>							
Cash and short-term funds	1,633,392	-	-	-	23,815	-	1,657,207
Deposits and placements with banks	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	440,159	440,159
Securities available-for-sale	29,978	104,066	-	-	4,356	-	138,400
Loans, advances and financing	33,579	42,634	18,766	19,247	(1,497) [^]	-	114,985
Derivative assets	-	-	-	-	-	9,539	9,539
Other assets	-	-	-	-	1,388	-	1,388
Tax recoverable	-	-	-	-	3,893	-	3,893
Statutory deposits with Bank Negara Malaysia	-	-	-	-	5,220	-	5,220
Property, plant and equipment	-	-	-	-	8,789	-	8,789
Total assets	1,696,949	146,700	18,766	19,247	45,964	449,698	2,379,580

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

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

	Non-trading book					Trading book RM'000	Total RM'000
	←	←	←	←	←		
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	
30.9.2012							
Liabilities							
Deposits from customers	591,758	133,257	5,593	404	-	579,898	1,310,910
Deposits and placements with banks and other financial institutions	525,343	49	-	-	-	11,368	536,760
Bills and acceptances payable	-	-	-	-	-	17,976	17,976
Derivative liabilities	-	-	-	-	-	-	12,576
Other liabilities	-	-	-	-	-	4,666	4,666
Deferred tax liabilities	-	-	-	-	-	2,012	2,012
Total liabilities	1,117,101	133,306	5,593	404	-	615,920	1,884,900
On balance sheet interest rate gap	579,848	13,394	13,173	18,843	2,256	-	-

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

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29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	←			Non-trading book				Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000			
(Restated) <u>31.12.2011</u>									
<u>Assets</u>									
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	(1,767) [^]	-	187,070	
Derivative assets	-	-	-	-	-	-	19,567	19,567	
Other assets	-	-	-	-	-	1,147	-	1,147	
Tax recoverable	-	-	-	-	-	2,334	-	2,334	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,000	-	1,000	
Property, plant and equipment	-	-	-	-	-	9,823	-	9,823	
Total assets	<u>1,376,985</u>	<u>104,760</u>	<u>6,766</u>	<u>18,378</u>	<u>2,430</u>	<u>32,266</u>	<u>19,567</u>	<u>1,561,242</u>	

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	← Non-trading book			→ Non-interest bearing			Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
<u>31.12.2011</u>								
<u>Liabilities</u>								
Deposits from customers	473,305	28,395	21,412	877	-	429,937	-	953,926
Deposits and placements with banks and other financial institutions	46,611	-	-	-	-	9,564	-	56,175
Bills and acceptances payable	-	-	-	-	-	37,839	-	37,839
Derivative liabilities	-	-	-	-	-	-	18,360	18,360
Other liabilities	-	-	-	-	-	2,522	-	2,522
Deferred tax liabilities	-	-	-	-	-	1,737	-	1,737
Total liabilities	519,916	28,395	21,412	877	-	481,599	18,360	1,070,599
On balance sheet interest rate gap	857,069	76,365	(14,646)	17,501	2,430	-	-	-

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

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EXPLANATORY NOTES

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

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

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

	<u>30.9.2012</u>					<u>31.12.2011</u>				
	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>AUD</u>	<u>MYR</u>	<u>USD</u>	<u>GBP</u>	<u>EUR</u>	<u>AUD</u>
	%	%	%	%	%	%	%	%	%	%
<u>Financial assets</u>										
Cash and short-term funds	3.00	0.05	0.43	-	3.49	3.00	0.05	-	-	4.15
Deposits and placements with banks	-	-	-	-	-	-	-	0.55	-	-
Securities held-for-trading	3.52	-	-	-	-	-	-	-	-	-
Securities available-for-sale	3.06	-	-	-	-	3.01	-	-	-	-
Loans, advances and financing	4.65	1.15	-	-	-	3.68	1.43	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Financial liabilities</u>										
Deposits from customers	2.71	0.20	0.30	-	2.93	2.95	0.20	0.35	0.05	3.93
Deposits and placements of banks and other financial institutions	2.55	0.17	-	-	-	3.00	0.42	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) **Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. The market risk numbers as at end of the financial third quarter are reflected in Note 30 on Capital Adequacy.

(c) **Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. The market risk numbers as at end of the financial third quarter are reflected in Note 30 on Capital Adequacy. The credit risk amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rate or prices.

(d) **Liquidity risk**

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan draw downs. Exposure to liquidity risk is reduced through constant monitoring of liquidity risk profile with maturity mismatch reports.

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk

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

The tables below set out the Bank's exposure to currency risk. Included in the tables are the Bank's financial assets and liabilities at carrying amounts, categorised by currency but excludes deferred tax assets / liabilities and other assets / liabilities.

30.9.2012

Assets

	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
Cash and short-term funds	1,160,062	475,627	3,666	5,969	4,786	7,097	1,657,207
Deposits and placements with banks	-	-	-	-	-	-	-
Securities held-for-trading	440,159	-	-	-	-	-	440,159
Securities available-for-sale	138,400	-	-	-	-	-	138,400
Loans, advances and financing [^]	98,387	16,598	-	-	-	-	114,985
Derivative assets	9,539	-	-	-	-	-	9,539
Other assets [*]	72	269	-	-	-	-	341
Statutory deposit with Bank Negara Malaysia	5,220	-	-	-	-	-	5,220
	<u>1,851,839</u>	<u>492,494</u>	<u>3,666</u>	<u>5,969</u>	<u>4,786</u>	<u>7,097</u>	<u>2,365,851</u>

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

^{*} This represents other receivables.

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

30.9.2012

Liabilities

Deposits from customers
Deposits and placements of banks and
other financial institutions
Bills and acceptances payable
Derivative liabilities
Other liabilities[@]

	<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
	845,612	451,876	886	4,334	4,780	3,422	1,310,910
	56,370	480,363	-	-	-	27	536,760
	15,555	2,421	-	-	-	-	17,976
	12,576	-	-	-	-	-	12,576
	1,256	-	2,245	62	-	19	3,582
	<u>931,369</u>	<u>934,660</u>	<u>3,131</u>	<u>4,396</u>	<u>4,780</u>	<u>3,468</u>	<u>1,881,804</u>
Currency gap	<u>920,470</u>	<u>(442,166)</u>	<u>535</u>	<u>1,573</u>	<u>6</u>	<u>3,629</u>	<u>484,047</u>

[@] This represents other payables.

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

(Restated)
31.12.2011

Assets

	<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
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 [^]	128,787	58,283	-	-	-	-	187,070
Derivative assets	19,567	-	-	-	-	-	19,567
Other assets*	92	-	-	-	-	-	92
Statutory deposit with Bank Negara Malaysia	1,000	-	-	-	-	-	1,000
	<u>1,318,238</u>	<u>217,101</u>	<u>617</u>	<u>6,322</u>	<u>2,692</u>	<u>2,970</u>	<u>1,547,940</u>

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

* This represents other receivables.

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EXPLANATORY NOTES

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

(Restated) 31.12.2011	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>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
Derivative liabilities	18,360	-	-	-	-	-	18,360
Other liabilities [@]	809	-	-	49	-	-	858
	<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	<u>593,054</u>	<u>(113,595)</u>	<u>159</u>	<u>198</u>	<u>97</u>	<u>869</u>	

[@] This represents other payables.

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EXPLANATORY NOTES

30 CAPITAL ADEQUACY

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

	<u>30.9.2012</u> RM'000	<u>(Restated)</u> <u>31.12.2011</u> RM'000
<u>Tier-I Capital</u>		
Share capital	135,800	135,800
Statutory reserves	126,373	126,373
Retained profit	225,168	225,168
	<u>487,341</u>	<u>487,341</u>
Less: Deferred tax asset	-	-
	<u>487,341</u>	<u>487,341</u>
<u>Tier-II Capital</u>		
Collective assessment allowance *	729	981
	<u>488,070</u>	<u>488,322</u>
<u>Capital ratios</u>		
Core capital ratio	67.46%	115.16%
Risk-weighted capital ratio	<u>67.56%</u>	<u>115.39%</u>

* Excludes collective assessment allowance on impaired loans restricted from Tier-II Capital of the Bank of RM24,015 (2011: RM25,903)

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

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

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EXPLANATORY NOTES

30 CAPITAL ADEQUACY (CONTINUED)

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

		<u>30.9.2012</u>		<u>31.12.2011</u>	
		<u>Principal</u>	<u>Risk-weighted</u>	<u>Principal</u>	<u>Risk-weighted</u>
		RM'000	RM'000	RM'000	RM'000
(i)	Credit risk				
	0%	1,303,342	-	1,165,761	-
	20%	516,682	103,336	182,679	36,536
	35%	689	241	809	283
	50%	27,035	13,518	88,555	44,278
	75%	651	488	707	530
	100%	234,559	234,559	254,624	254,624
		<u>2,082,958</u>	<u>352,142</u>	<u>1,693,135</u>	<u>336,251</u>
(ii)	Market risk [#]	-	276,918	-	1,919
(iii)	Operational risk	-	93,312	-	85,017
		<u>2,082,958</u>	<u>722,372</u>	<u>1,693,135</u>	<u>423,187</u>

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

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EXPLANATORY NOTES

30 CAPITAL ADEQUACY (CONTINUED)

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

30.9.2012 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted assets RM'000
Direct credit substitutes	44,917		44,917	42,894
Transaction related contingent Items	22,204		11,102	9,729
Short term self liquidating trade-related contingencies	49,811		9,962	2,067
Foreign exchange related contracts				
One year or less	2,949,353	8,181	20,670	13,280
Over one year to five years	11,500	-	575	575
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	328,748		65,750	65,750
Total	3,406,533	8,181	152,976	134,295

31.12.2011 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted assets RM'000
Direct credit substitutes	38,497		38,497	31,702
Transaction related contingent Items	20,763		10,382	8,543
Short term self liquidating trade-related contingencies	4,517		903	576
Foreign exchange related contracts				
One year or less	2,210,292	18,881	30,756	26,259
Over one year to five years	37,728	484	2,370	2,370
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	345,937		69,187	69,187
Total	2,657,734	19,365	152,095	138,637


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

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STATEMENT OF DECLARATION

To the best of our knowledge, the accompanying Statement of Financial Position of Bank of America Malaysia Berhad as at 30 September 2012, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and explanatory notes for the half-year ended on that date had been prepared from the Bank's accounting and other records and nothing has come to our attention that causes us to believe that the condensed interim financial statements are not presented fairly in all material aspects in accordance with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia for entities other than private entities and Bank Negara Malaysia Guidelines.

For and on behalf of,
Bank of America Malaysia Berhad



ONG GUAT KEE
Chief Executive Officer

31 OCT 2012