

Company No.

310983

V

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS

FIRST QUARTER ENDED 31 MARCH 2012

BANK OF AMERICA MALAYSIA BERHAD
(310983 V)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	<u>Note</u>	<u>31.03.2012</u> RM'000	(Restated) <u>31.12.2011</u> RM'000	(Restated) <u>01.01.2011</u> RM'000
ASSETS				
Cash and short-term funds		1,775,835	1,279,956	1,216,984
Deposits and placements with banks		1,226	6,006	-
Securities available-for-sale ('AFS')	7	83,972	54,249	118,885
Loans, advances and financing	8	172,473	187,070	295,489
Derivative assets		11,366	19,567	17,500
Other assets	9	694	1,147	2,225
Tax recoverable		2,380	2,334	588
Statutory deposits with Bank Negara Malaysia		1,000	1,000	900
Deferred tax assets		257	571	529
Property, plant and equipment	11	9,659	9,823	7,427
TOTAL ASSETS		<u>2,058,862</u>	<u>1,561,723</u>	<u>1,660,527</u>
LIABILITIES				
Deposits from customers	14	1,464,686	953,926	819,651
Deposits and placements of banks and other financial institutions	15	54,106	56,175	302,520
Bills and acceptances payable		32,131	37,839	37,467
Derivative liabilities		10,755	18,360	19,446
Other liabilities	16	1,650	2,522	2,284
Deferred tax liabilities		2,251	2,308	2,365
TOTAL LIABILITIES		<u>1,565,579</u>	<u>1,071,130</u>	<u>1,183,733</u>
EQUITY				
Share capital		135,800	135,800	135,800
Reserves		357,483	354,793	340,994
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>493,283</u>	<u>490,593</u>	<u>476,794</u>
TOTAL LIABILITIES AND EQUITY		<u>2,058,862</u>	<u>1,561,723</u>	<u>1,660,527</u>
COMMITMENTS AND CONTINGENCIES	30	<u>2,470,698</u>	<u>2,657,734</u>	<u>2,319,860</u>
CAPITAL ADEQUACY	29			
Core capital ratio		96.28%	115.16%	90.26%
Risk-weighted capital ratio		96.47%	115.39%	90.66%

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2012

		Current financial first quarter ended 31.03.2012 RM'000	(Restated) Preceding financial first quarter ended 31.3.2011 RM'000
	Note		
Interest income	17	10,262	8,355
Interest expense	18	(2,949)	(1,577)
Net interest income		7,313	6,778
Other operating income	19	6,082	4,491
Net income		13,395	11,269
Other operating expenses	20	(9,620)	(8,030)
Profit before allowance		3,775	3,239
Write back of losses on loans, advances and financing	21	8	1,869
Profit before taxation		3,783	5,108
Taxation		(1,089)	(1,369)
Net profit for the period		2,694	3,739
Other comprehensive (loss)/income (net of tax)			
Fair value reserve:			
Net change in fair value of securities available-for-sale		(6)	(1)
Income tax relating to change in fair value of securities-available-for-sale		2	-
		(4)	(1)
Total other comprehensive income (net of tax)		(4)	(1)
Total comprehensive income for the period		2,690	3,738
Earnings per share (sen)		1.98	2.75

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2012

	Share capital RM'000	Statutory reserves RM'000	Non distributable Fair value reserve RM'000	Regulatory reserve RM'000	Distributable Retained profit RM'000	Total RM'000
At 1 January 2012						
- as previously stated	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	-	-	(4)	-	2,694	2,690
At 31 March 2012	135,800	126,373	1,888	1,360	227,862	493,283
At 1 January 2011						
- as previously stated	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	-	-	(1)	-	3,739	3,738
At 31 March 2011	135,800	122,835	1,826	1,778	218,293	480,532

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL FIRST QUARTER ENDED 31 MARCH 2012

	Current financial first quarter ended <u>31.03.2012</u> RM'000	(Restated) Preceding financial first quarter ended <u>31.03.2011</u> RM'000
Profit before taxation	3,783	5,108
Adjustments for non-cash items	91	(717)
Operating profit before working capital changes	<u>3,874</u>	<u>4,391</u>
Changes in working capital:		
Net changes in operating assets	28,618	142,693
Net changes in operating liabilities	494,506	(13,562)
Income tax paid	(876)	(2,084)
Net cash generated from operating activities	<u>526,122</u>	<u>131,438</u>
Net cash (used in) / generated from investing activities	<u>(30,243)</u>	<u>56,214</u>
Net change in cash and cash equivalents	495,879	187,652
Cash and cash equivalents at beginning of the year	1,279,956	1,216,984
Cash and cash equivalents at the end of the period	<u><u>1,775,835</u></u>	<u><u>1,404,636</u></u>

EXPLANATORY NOTES

1 BASIS OF PREPARATION

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

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

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

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

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

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

Under MFRS 139, loans, advances and financing which are not individually significant are collectively assessed using the Probability of Default ("PD") approach. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is also 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.

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 first quarter ended 31 March 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 first quarter ended 31 March 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 first quarter under review.

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EXPLANATORY NOTES

7 SECURITIES AVAILABLE-FOR-SALE

	<u>31.03.2012</u> RM'000	<u>31.12.2011</u> RM'000
<u>Money market instruments:</u>		
<u>Unquoted:</u>		
Bank Negara Malaysia Bills	79,616	49,893
<u>Unquoted securities in Malaysia:</u>		
Shares	4,341	4,341
Bonds	15	15
Total securities available-for-sale	<u>83,972</u>	<u>54,249</u>

8 LOANS, ADVANCES AND FINANCING

	<u>31.03.2012</u> RM'000	<u>(Restated)</u> <u>31.12.2011</u> RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	603	1,071
Claims on customers under acceptance credits	16,350	75,785
Staff loans	1,210	1,276
Revolving advances	150,441	104,863
Bills discounted	3,146	3,244
Real estate loans	2,508	2,598
Gross loans, advances and financing	<u>174,258</u>	<u>188,837</u>
Allowance for losses on loans, advances and financing:		
- Individual assessment	(756)	(760)
- Collective assessment	(1,029)	(1,007)
Total net loans, advances and financing	<u>172,473</u>	<u>187,070</u>

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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2012</u> RM'000	<u>31.12.2011</u> RM'000
(b) Loans, advances and financing analysed by geographical distribution:		
Malaysia	167,762	132,458
India	6,496	56,379
	<u>174,258</u>	<u>188,837</u>
(c) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	164,044	128,584
Individuals	3,718	3,874
Foreign entities	6,496	56,379
	<u>174,258</u>	<u>188,837</u>
(d) Loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
- Housing loans	988	1,077
- Other fixed rate loans	153,150	167,041
Variable rate		
- BLR plus	3,111	3,669
- Other variable rates	17,009	17,050
	<u>174,258</u>	<u>188,837</u>
(e) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	74	78
Purchase of landed property (residential)	3,487	3,663
Personal use	41	52
Purchase of consumer durables	116	81
Working capital	170,540	184,963
	<u>174,258</u>	<u>188,837</u>

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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2012</u> RM'000	<u>31.12.2011</u> RM'000
(f) Loans, advances and financing analysed by residual contractual maturity:		
Within one year	153,863	168,029
One year to three years	17,302	17,594
Three to five years	769	784
Over five years	2,324	2,430
	<u>174,258</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	7	1,172
Interest income recognised during the financial period/year	15	67
Amount recovered during the financial period/ year	(27)	(532)
Reclassified as performing	(6)	(1,816)
At end of financial period/year	<u>880</u>	<u>891</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>0.50%</u>	<u>0.47%</u>
	<u>31.03.2012</u> RM'000	(Restated) <u>31.12.2011</u> RM'000
(h) Movements in allowance for 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)
As restated	1,007	2,088
Allowance/ (write back) made during the period	22	(1,081)
At end of financial period/year	<u>1,029</u>	<u>1,007</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.59%</u>	<u>0.54%</u>

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8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31.03.2012</u> RM'000	<u>31.12.2011</u> RM'000
(i) Movements in allowance for 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	11	48
Write back made during the financial period/year	(15)	(944)
At end of financial period/year	<u>756</u>	<u>760</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>880</u>	<u>891</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	871	882
Other purpose	9	9
	<u>880</u>	<u>891</u>

9 OTHER ASSETS

Other receivables	150	92
Deposits	32	32
Prepayments	512	1,023
	<u>694</u>	<u>1,147</u>

EXPLANATORY NOTES

10 PRE-ACQUISITION PROFITS

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

11 PROPERTY, PLANT AND EQUIPMENT

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

12 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 first quarter under review.

13 PURCHASE AND DISPOSAL OF QUOTED SECURITIES

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

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EXPLANATORY NOTES

14 DEPOSITS FROM CUSTOMERS

	<u>31.03.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	1,064,671	608,010
Saving deposits	355	333
Fixed deposits	399,660	345,583
	<u>1,464,686</u>	<u>953,926</u>
(b) Maturity structure of fixed deposits is as follows:		
Due within six months	375,052	321,903
Six months to one year	1,253	201
One year to five years	23,140	23,257
More than five years	215	222
	<u> </u>	<u> </u>
(c) By type of customers:		
Business enterprises	1,455,578	945,497
Individuals	7,622	7,446
Others	1,486	983
	<u>1,464,686</u>	<u>953,926</u>

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>31.03.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
Licensed banks	50,087	44,373
Other financial institutions	4,019	11,802
	<u>54,106</u>	<u>56,175</u>

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EXPLANATORY NOTES

16 OTHER LIABILITIES

	<u>31.3.2012</u> RM'000	<u>31.12.2011</u> RM'000
Unearned discount on loans, advances and financing	27	123
Other payables	1,121	858
Accruals	502	1,541
	<u>1,650</u>	<u>2,522</u>

17 INTEREST INCOME

	Current financial first quarter ended <u>31.03.2012</u> RM'000	Preceding financial first quarter ended <u>31.03.2011</u> RM'000
Loans, advances and financing	1,647	1,107
Money at call and deposit placements with banks and other financial institutions	8,080	6,556
Securities available-for-sale	534	688
Others	1	4
Total interest income	<u>10,262</u>	<u>8,355</u>

18 INTEREST EXPENSE

Deposits and placement of bank and other financial institutions	94	214
Deposits from customers	2,479	1,176
Others	376	187
	<u>2,949</u>	<u>1,577</u>

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19 OTHER OPERATING INCOME

	Current financial first quarter ended 31.03.2012 RM'000	Preceding financial first quarter ended 31.03.2011 RM'000
<u>Fee income</u>		
Commission	118	267
Service charges/fees	967	895
Guarantee fees	277	53
Other fee income	166	188
	<u>1,528</u>	<u>1,403</u>
<u>Unrealised gain/(loss) on revaluation of derivatives</u>		
Foreign exchange forwards and swaps	605	(526)
<u>Other income</u>		
Realised foreign exchange gain	3,949	3,613
Others	-	1
	<u>3,949</u>	<u>3,614</u>
	<u>6,082</u>	<u>4,491</u>

20 OTHER OPERATING EXPENSES

Personnel costs	3,818	2,393
Establishment costs	2,413	1,883
Marketing expenses	30	45
Administration and general expenses	3,359	3,709
	<u>9,620</u>	<u>8,030</u>

Included in the above expenditure are the following items:

Directors remuneration	233	213
Pension – cost – defined contribution plan – EPF	724	339
Depreciation of property, plant and equipment	1,212	628
Rental of premises	236	222
Rental of equipment	206	152
Information and technology expenses	184	583

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EXPLANATORY NOTES

21 WRITE BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING

	Current financial first quarter ended <u>31.03.2012</u> RM'000	(Restated) Preceding financial first quarter ended <u>31.03.2011</u> RM'000
Allowance for loans, advances and financing:		
Individual assessment allowance		
- written back during the financial period	(15)	(444)
- made during the financial period	11	260
Collective assessment allowance		
- written back during the financial period	-	(1,499)
- made during the financial period	22	-
Bad debts on loans, advances and financing:		
- recovered	(26)	(186)
	<u>(8)</u>	<u>(1,869)</u>

EXPLANATORY NOTES

22 SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

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

23 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.

24 CHANGES IN COMPOSITION OF THE BANK

There were no significant changes in the composition of the Bank for the financial first quarter ended 31 March 2012 which has not been disclosed in the audited financial statements for the financial year ended 31 December 2011.

25 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.

26 There are no material changes in the profit before taxation for the first quarter reported as compared with the preceding first quarter.

27 There were no dividends paid or declared for the financial first quarter ended 31 March 2012.

EXPLANATORY NOTES

28 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						
	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	Total RM'000
<u>31.03.2012</u>							
<u>Assets</u>							
Cash and short - term funds	1,760,096	-	-	-	-	15,739	1,775,835
Deposits and placements with banks	-	1,226	-	-	-	-	1,226
Securities available - for-sale	49,891	-	29,725	-	-	4,356	83,972
Loans, advances and financing	47,359	105,818	687	18,070	2,324	(1,785) ^A	172,473
Derivative assets	11,366	-	-	-	-	-	11,366
Other assets	-	-	-	-	-	694	694
Tax recoverable	-	-	-	-	-	2,380	2,380
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,000	1,000
Deferred tax assets	-	-	-	-	-	257 ^A	257
Property, plant and equipment	-	-	-	-	-	9,659	9,659
Total assets	1,868,712	107,044	30,412	18,070	2,324	32,300	2,058,862

^A The negative balance represents individual assessment 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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28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	← Non-trading book →					Non-interest bearing	
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	RM'000	Total RM'000
<u>31.03.2012</u>							
<u>Liabilities</u>							
Deposits from Customers	558,179	2,093	22,598	310	-	881,506	1,464,686
Deposits and placements of banks and other financial institutions	2,816	49,137	-	-	-	2,153	54,106
Bills and acceptances payable	-	-	-	-	-	32,131	32,131
Derivative liabilities	10,755	-	-	-	-	-	10,755
Other liabilities	-	-	-	-	-	1,650	1,650
Deferred tax liabilities	-	-	-	-	-	2,251	2,251
Total liabilities	<u>571,750</u>	<u>51,230</u>	<u>22,598</u>	<u>310</u>	<u>-</u>	<u>919,691</u>	<u>1,565,579</u>
On balance sheet-interest rate gap	<u>1,296,962</u>	<u>55,814</u>	<u>7,814</u>	<u>17,760</u>	<u>2,324</u>		

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28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	← Non-trading book →						
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Total RM'000
(Restated) 31.12.2011							
<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
Deferred tax assets	-	-	-	-	-	571	571
Property, plant and equipment	-	-	-	-	-	9,823	9,823
Total assets	1,396,552	104,760	6,766	18,378	2,430	32,837	1,561,723

[^] The negative balance represents individual assessment 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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28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	← Non-trading book →					Non-interest bearing	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	RM'000	Total 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 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	-	-	-	-	-	2,308	2,308
Total liabilities	<u>538,276</u>	<u>28,395</u>	<u>21,412</u>	<u>877</u>	<u>-</u>	<u>482,170</u>	<u>1,071,130</u>
On balance sheet-interest rate gap	<u>858,276</u>	<u>76,365</u>	<u>(14,646)</u>	<u>17,501</u>	<u>2,430</u>		

EXPLANATORY NOTES

28 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:

	31.3.2012					31.12.2011				
	MYR	USD	GBP	EUR	AUD	MYR	USD	GBP	EUR	AUD
	%	%	%	%	%	%	%	%	%	%
<u>Financial assets</u>										
Cash and short-term funds	3.00	0.05	0.59	-	4.12	3.00	0.05	-	-	4.15
Deposits and placements with banks	-	-	-	0.30	-	-	-	0.55	-	-
Securities available-for-sale	3.01	-	-	-	-	3.01	-	-	-	-
Loans, advances and financing	3.75	1.08	-	-	-	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	2.92	0.20	0.35	0.22	3.79	2.95	0.20	0.35	0.05	3.93
Deposits and placements of banks and other financial institutions	3.00	0.65	-	-	-	3.00	0.42	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial first quarter the amount of contracts which were not hedged and, hence, exposed to market risk was RM577,474 (31.12.2011: RM1,913,413).

(c) Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of the financial first quarter, the amounts of credit risk, measured in term of the cost to replace the profitable contracts, was RM11,310,329 (31.12.2011: RM19,567,439). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rate or prices.

(d) Liquidity risk

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

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EXPLANATORY NOTES

28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk

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

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

31.03.2012	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Assets</u>							
Cash and short-term funds	1,479,052	283,644	1,843	5,418	3,797	2,081	1,775,835
Deposits and placements with banks	-	-	-	-	-	1,226	1,226
Securities available-for-sale ('AFS')	83,972	-	-	-	-	-	83,972
Loans, advances and financing [^]	115,494	56,979	-	-	-	-	172,473
Derivative assets	11,366	-	-	-	-	-	11,366
Other assets [*]	72	78	-	-	-	-	150
Statutory deposit with Bank Negara Malaysia	1,000	-	-	-	-	-	1,000
	<u>1,690,956</u>	<u>340,701</u>	<u>1,843</u>	<u>5,418</u>	<u>3,797</u>	<u>3,307</u>	<u>2,046,022</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

28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

31.03.2012	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	1,077,686	373,829	1,321	5,327	3,839	2,684	1,464,686
Deposits and placements from banks and other financial institutions	4,880	49,137	-	-	-	89	54,106
Bills and acceptances payable	29,921	2,210	-	-	-	-	32,131
Derivative liabilities	10,755	-	-	-	-	-	10,755
Other liabilities [@]	505	4	447	49	-	116	1,121
	<u>1,123,747</u>	<u>425,180</u>	<u>1,768</u>	<u>5,376</u>	<u>3,839</u>	<u>2,889</u>	<u>1,562,799</u>
Currency gap	<u>567,209</u>	<u>(84,479)</u>	<u>75</u>	<u>42</u>	<u>(42)</u>	<u>418</u>	

[@] This represents other payables.

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EXPLANATORY NOTES

28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Currency risk (continued)

(Restated) 31.12.2011	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Assets</u>							
Cash and short-term funds	1,114,543	158,818	617	316	2,692	2,970	1,279,956
Deposits and placements with banks	-	-	-	6,006	-	-	6,006
Securities available-for-sale ('AFS')	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

28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) 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.

EXPLANATORY NOTES

28 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Related accounting policies

Forward exchange contracts

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

29 CAPITAL ADEQUACY

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

	<u>31.3.2012</u>	<u>(Restated)</u> <u>31.12.2011</u>
	RM'000	RM'000
<u>Tier-I Capital</u>		
Share capital	135,800	135,800
Statutory reserves	126,373	126,373
Audited and approved retained profits	225,168	225,168
	<u>487,341</u>	<u>487,341</u>
Less: Deferred tax asset	-	-
Total Tier-I capital	<u>487,341</u>	<u>487,341</u>
<u>Tier-II Capital</u>		
Collective assessment allowance*	1,004	981
Total capital base	<u>488,345</u>	<u>488,322</u>

* Excludes collective assessment allowance on impaired loans restricted from Tier-II Capital of the Bank of RM 25,007 (2011: 25,903).

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EXPLANATORY NOTES

29 CAPITAL ADEQUACY (CONTINUED)

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

		31.3.2012		31.12.2011	
		Principal	Risk-weighted	Principal	Risk-weighted
		RM'000	RM'000	RM'000	RM'000
(i)	Credit Risk				
	0%	1,302,683	-	1,165,761	-
	20%	562,474	112,495	182,679	36,536
	35%	759	266	809	283
	50%	38,410	19,205	88,555	44,278
	75%	693	520	707	530
	100%	285,439	285,439	254,624	254,624
		<u>2,190,458</u>	<u>417,925</u>	<u>1,693,135</u>	<u>336,251</u>
(ii)	Market Risk	-	619	-	1,919
(iii)	Operational Risk	-	87,652	-	85,017
		<u>2,190,458</u>	<u>506,196</u>	<u>1,693,135</u>	<u>423,187</u>
<u>Capital ratios</u>					
	Core capital ratio		96.28%		115.16%
	Risk-weighted capital ratio		<u>96.47%</u>		<u>115.39%</u>

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ('RWCAF') and disclosed in line with RWCAF – Disclosure Requirements (Pillar 3).

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EXPLANATORY NOTES

30 COMMITMENTS AND CONTINGENCIES

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

The commitment and contingencies are as follows:

31.3.2012 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	47,869		47,869	41,093
Transaction related contingent Items	23,493		11,747	9,035
Short term self liquidating trade related contingencies	5,810		1,162	672
Foreign exchange related contracts				
One year or less	2,092,997	11,259	23,852	21,985
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	300,529		60,106	60,106
Total	2,470,698	11,259	144,736	132,891

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	2,248,020	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
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 31 March 2012, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the first quarter 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

30 APR 2012