

Company No.

310983

V

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**THIRD QUARTER ENDED 30 SEPTEMBER 2011**

**BANK OF AMERICA MALAYSIA BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011**

	<u>Note</u>	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds		1,233,534	1,216,984
Securities available-for-sale	7	53,864	118,885
Loans, advances and financing	8	281,834	293,118
Other assets		368	2,225
Derivative assets		66,640	17,500
Tax recoverable		2,992	588
Statutory deposits with Bank Negara Malaysia		900	900
Deferred tax assets		1,073	-
Property, plant and equipment	10	10,817	7,427
<b>TOTAL ASSETS</b>		<u>1,652,022</u>	<u>1,657,627</u>
<b>LIABILITIES</b>			
Deposits from customers	13	901,954	819,651
Deposits and placements of banks and other financial institutions	14	171,787	302,520
Bills and acceptances payable		21,976	37,467
Other liabilities		2,908	2,284
Derivative liabilities		63,509	19,446
Provision for taxation		-	-
Deferred tax liabilities		2,529	1,243
<b>TOTAL LIABILITIES</b>		<u>1,164,663</u>	<u>1,182,611</u>
<b>EQUITY</b>			
Share capital		135,800	135,800
Reserves		351,559	339,216
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		<u>487,359</u>	<u>475,016</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>1,652,022</u>	<u>1,657,627</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<u>2,567,746</u>	<u>2,319,860</u>
<b>CAPITAL ADEQUACY</b>			
Core capital ratio		82.06%	90.26%
Risk-weighted capital ratio		82.79%	91.11%

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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2011

	Note	Current financial third quarter ended 30.9.2011 RM'000	Preceding financial third quarter ended 30.9.2010 RM'000
Interest income	15	27,649	23,860
Interest expense	16	(6,498)	(3,924)
Net interest income		<u>21,151</u>	<u>19,936</u>
Other operating income	17	16,001	13,573
Net income		<u>37,152</u>	<u>33,509</u>
Other operating expenses	18	(22,386)	(10,035)
Profit before allowance		<u>14,766</u>	<u>23,474</u>
Write back of losses on loans, advances and financing	19	623	783
Profit before taxation		<u>15,389</u>	<u>24,257</u>
Taxation		(3,106)	(6,666)
Net profit for the period		<u>12,283</u>	<u>17,591</u>
Other comprehensive income/(loss) (net of tax)			
Fair value reserve:			
Net change in fair value of securities available-for-sale		56	(24)
Net amount transferred to profit or loss		4	6
Other comprehensive income/(loss) (net of tax)		<u>60</u>	<u>(18)</u>
Total comprehensive income for the period		<u><u>12,343</u></u>	<u><u>17,573</u></u>
Earnings per share (sen)		<u><u>9.04</u></u>	<u><u>12.95</u></u>

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CONDENSED INTERIM FINANCIAL STATEMENT  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2011

	Share capital RM'000	Non distributable Statutory reserves RM'000	Fair value 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 period	-	-	-	12,283	12,283
Other comprehensive income	-	-	60	-	60
Total comprehensive income for the period	-	-	60	12,283	12,343
At 30 September 2011	<u>135,800</u>	<u>122,835</u>	<u>1,887</u>	<u>226,837</u>	<u>487,359</u>
At 1 January 2010					
- as previously stated	135,800	117,317	(6)	201,264	454,375
- effect of adopting FRS139	-	-	1,481	(3,263)	(1,782)
At 1 January 2010, as restated	<u>135,800</u>	<u>117,317</u>	<u>1,475</u>	<u>198,001</u>	<u>452,593</u>
Net profit for the period	-	-	-	17,591	17,591
Other comprehensive loss	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	(18)	17,591	17,573
At 30 September 2010	<u>135,800</u>	<u>117,317</u>	<u>1,457</u>	<u>215,592</u>	<u>470,166</u>

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INTERIM FINANCIAL STATEMENT  
UNAUDITED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2011

	Current financial third quarter ended 30.9.2011 <u>RM'000</u>	Preceding financial third quarter ended 30.9.2010 <u>RM'000</u>
Profit before taxation	12,283	24,257
Adjustments for non-cash items	7,860	(1,212)
Operating profit before working capital changes	<u>20,143</u>	<u>23,045</u>
Changes in working capital:		
Net changes in operating assets	(38,612)	(177,143)
Net changes in operating liabilities	(19,215)	193,649
Income tax paid	(5,314)	(1,888)
Net cash (used in) / generated from operating activities	<u>(42,998)</u>	<u>37,663</u>
Net cash generated from investing activities	59,548	34,207
Net change in cash and cash equivalents	<u>16,550</u>	<u>71,870</u>
Cash and cash equivalents at beginning of the year	1,216,984	1,234,704
Cash and cash equivalents at the end of the period	<u><u>1,233,534</u></u>	<u><u>1,306,574</u></u>

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**EXPLANATORY NOTES**

**1 BASIS OF PREPARATION**

The unaudited condensed interim financial statements should be read in conjunction with the Bank's audited financial statements for the financial year ended 31 December 2010. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2010.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements.

**2 INDEPENDENT AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The independent auditors report on the financial statements for the preceding financial year ended 31 December 2010 was not subject to any qualification.

**3 SEASONAL OR CYCLICALITY FACTORS**

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

**4 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank during the financial third quarter ended 30 September 2011.

**5 CHANGES IN ESTIMATES**

There were no significant changes in estimates arising from prior financial period/year that have a material effect on the financial results and position for the financial third quarter ended 30 September 2011.

**6 ISSUANCE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES**

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

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EXPLANATORY NOTES

7 SECURITIES AVAILABLE-FOR-SALE

	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
<u>At fair value</u>		
Money market instruments:		
Unquoted:		
Bank Negara Malaysia Bills	49,508	114,614
Unquoted securities in Malaysia:		
Shares	4,341	4,256
Bonds	15	15
	4,356	4,271
Total securities available-for-sale	53,864	118,885

8 LOANS, ADVANCES AND FINANCING

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

At amortised cost:		
Overdrafts	15,055	7,715
Claims on customers under acceptance credits	67,291	155,049
Staff loans	1,638	1,919
Revolving advances	173,010	48,352
Bills discounted	27,721	83,083
Real estate loans	2,694	3,115
Gross loans, advances and financing	287,409	299,233
Allowance for losses on loans, advances and financing:		
- Individual assessment allowance	(1,283)	(1,656)
- Collective assessment allowance	(4,292)	(4,459)
Total net loans, advances and financing	281,834	293,118

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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
(b) Loans, advances and financing analysed by geographical distribution:		
Malaysia	198,397	78,434
India	89,012	220,799
	<u>287,409</u>	<u>299,233</u>
(c) Loans, advances and financing analysed by type of customer:		
Domestic business enterprises	194,065	56,067
Individuals	4,332	5,034
Foreign entities	89,012	238,132
	<u>287,409</u>	<u>299,233</u>
(d) Loans, advances and financing analysed by interest/profit rate sensitivity:		
Fixed rate		
Housing loans	1,331	1,001
Other fixed rate loans	247,346	263,718
Variable rate		
BLR plus	17,730	10,744
Other variable rates	21,002	23,770
	<u>287,409</u>	<u>299,233</u>
(e) Loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	99	212
Purchase of landed property (residential)	4,006	4,030
Personal use	88	151
Purchase of consumer durables	139	196
Working capital	283,077	294,644
	<u>287,409</u>	<u>299,233</u>



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EXPLANATORY NOTES

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
(f) Loans, advances and financing analysed by residual contractual maturity:		
Maturity up to one year	262,175	253,741
One year to five years	22,429	13,998
More than five years	2,805	31,494
	<u>287,409</u>	<u>299,233</u>
(g) Movements in impaired loans, advances and financing:		
At 1 January	2,000	2,689
Classified as impaired during the financial period/year	1,005	1,396
Interest income recognised during the financial period/year	36	-
Amount recovered during the financial period/year	(478)	(1,752)
Reclassified as non-impaired	(1,161)	(333)
At end of financial period/year	<u>1,402</u>	<u>2,000</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.49%</u>	<u>0.67%</u>
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Collective assessment allowance</u>		
At 1 January	4,459	5,000
Collective assessment allowance written back during the financial period/year	(167)	(541)
	<u>4,292</u>	<u>4,459</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.50%</u>	<u>1.50%</u>

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

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EXPLANATORY NOTES

8 LOAN, ADVANCES AND FINANCING (CONTINUED)

	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
(i) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	1,656	5,492
Individual allowance made during the financial period/year	357	742
Amount written back in respect of recoveries during the financial period/year	(730)	(4,578)
At end of financial period/year	<u>1,283</u>	<u>1,656</u>
(j) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>1,402</u>	<u>2,000</u>
(k) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	1,370	1,851
Other purpose	32	149
	<u>1,402</u>	<u>2,000</u>

EXPLANATORY NOTES

9 PRE-ACQUISITION PROFITS

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

10 PROPERTY, PLANT AND EQUIPMENT

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

11 PROFITS ON SALE OF INVESTMENTS/PROPERTIES

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

12 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**

**13 DEPOSITS FROM CUSTOMERS**

	<u>30.9.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
(a) By type of deposit:		
Demand deposits	596,319	598,159
Saving deposits	297	466
Fixed deposits	<u>305,338</u>	<u>221,026</u>
	<u>901,954</u>	<u>819,651</u>
Maturity structure of fixed deposits is as follows:		
Due within six months	302,317	175,207
Six months to one year	2,703	668
One year to five years	318	44,934
More than five years	<u>-</u>	<u>217</u>
(b) By type of customers:		
Business enterprises	891,131	801,398
Individual	8,164	16,659
Others	<u>2,659</u>	<u>1,594</u>
	<u>901,954</u>	<u>819,651</u>

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

	<u>30.9.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000
Licensed banks	162,829	291,368
Other financial institutions	<u>8,958</u>	<u>11,152</u>
	<u>171,787</u>	<u>302,520</u>

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EXPLANATORY NOTES

15 INTEREST INCOME

	Current financial third quarter ended 30.9.2011 <u>RM'000</u>	Preceding financial third quarter ended 30.9.2010 <u>RM'000</u>
Loans, advances and financing	4,139	6,298
Money at call and deposit placements with banks and other financial institutions	21,968	15,913
Securities available-for-sale	1,509	1,635
Derivatives	33	14
Total interest income	<u>27,649</u>	<u>23,860</u>

16 INTEREST EXPENSE

Deposits and placement of bank and other financial institutions	513	372
Deposits from customers	5,280	3,131
Derivatives	703	405
Others	2	16
	<u>6,498</u>	<u>3,924</u>

17 OTHER OPERATING INCOME

	Current financial third quarter ended 30.9.2011 <u>RM'000</u>	Preceding financial third quarter ended 30.9.2010 <u>RM'000</u>
Fee income		
- Commission	700	1,111
- Service charges/fees	2,879	2,659
- Guarantee fees	183	334
- Other fee income	1,600	899
Gross dividend income from		
- Securities available-for-sale	13	13
Balance carried forward	<u>5,375</u>	<u>5,016</u>

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EXPLANATORY NOTES

17 OTHER OPERATING INCOME (CONTINUED)

	Current financial third quarter ended <u>30.9.2011</u> RM'000	Preceding financial third quarter ended <u>30.9.2010</u> RM'000
Balance brought forward	5,375	5,016
Unrealised loss on revaluation of derivatives - Derivatives	(3,079)	(1,327)
Foreign exchange gain - realised	13,704	9,884
Gain on sale of property, plant and equipment	1	-
	<u>16,001</u>	<u>13,573</u>

18 OTHER OPERATING EXPENSES

	Current financial third quarter ended <u>30.9.2011</u> RM'000	Preceding financial third quarter ended <u>30.9.2010</u> RM'000
Personnel costs	7,088	4,223
Establishment costs	6,397	3,857
Marketing expenses	323	323
Administration and general expenses	8,578	1,632
	<u>22,386</u>	<u>10,035</u>

Included in the above expenditure are the follows:

Directors remuneration	825	649
Rental of premises	686	590
Rental of equipment	1,270	689
Depreciation of property, plant and equipment	2,158	736
Pension – cost – defined contribution plan – EPF	961	537
	<u>5,900</u>	<u>3,201</u>

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EXPLANATORY NOTES

19 WRITE BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING

	Current financial third quarter ended <u>30.9.2011</u> RM'000	Preceding financial third quarter ended <u>30.9.2010</u> RM'000
Allowance for impaired loans, advances and financing:-		
Individual assessment allowance		
- written back	(730)	(1,640)
- made during the financial period/year	357	319
Collective assessment allowance (written back)/made during the financial period/year	(167)	700
Bad debts on loans, advances and financing		
- recovered	(102)	(162)
- written off	19	-
	<u>(623)</u>	<u>(783)</u>

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**EXPLANATORY NOTES**

**20 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.

**21 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

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

**22 CHANGES IN COMPOSITION OF THE BANK**

There were no significant changes in the composition of the Bank for the financial third quarter ended 30 September 2011.

**23 SEGMENTAL REPORTING ON REVENUE, PROFIT AND ASSETS**

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

**24** There are no material changes in the profit before taxation for the third quarter reported as compared with the preceding third quarter.

**25** There were no dividends paid or declared for the financial third quarter ended 30 September 2011.



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**EXPLANATORY NOTES**

26 USE OF FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

	The Bank 30.9.2011						Non- interest bearing	Total
	←	Non-trading book				→		
	Up to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 12 <u>months</u> RM'000	>1 - 5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	RM'000	RM'000	
<u>Assets</u>								
Cash and short - term funds	1,005,222	210,209	-	-	-	18,103	1,233,534	
Securities available - for-sale	-	-	49,508	-	-	4,356	53,864	
Loans, advances and financing	15,055	22,263	209,144	10,899	30,048	(5,575) <sup>^</sup>	281,834	
Other assets	-	-	-	-	-	368	368	
Derivative assets	66,640	-	-	-	-	-	66,640	
Tax recoverable	-	-	-	-	-	2,992	2,992	
Deferred tax assets	-	-	-	-	-	1,073	1,073	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	900	900	
Property, plant and equipment	-	-	-	-	-	10,817	10,817	
<b>Total assets</b>	<u>1,086,917</u>	<u>232,472</u>	<u>258,652</u>	<u>10,899</u>	<u>30,048</u>	<u>33,034</u>	<u>1,652,022</u>	

<sup>^</sup> The negative balance represents individual 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.

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**EXPLANATORY NOTES**

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	The Bank 30.9.2011						Total RM'000
	Non-trading book				Non-interest bearing		
<u>Liabilities</u>	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	RM'000	
Deposits from customers	154,608	118,661	16,270	15,575	223	596,617	901,954
Deposits and placements of banks and other financial institutions	34,359	16,971	113,978	-	-	6,479	171,787
Bills and acceptances payable	-	-	-	-	-	21,976	21,976
Other liabilities	-	-	-	-	-	2,908	2,908
Derivative liabilities	63,509	-	-	-	-	-	63,509
Provision for taxation	-	-	-	-	-	2,529	2,529
<b>Total liabilities</b>	<u>252,476</u>	<u>135,632</u>	<u>130,248</u>	<u>15,575</u>	<u>223</u>	<u>630,509</u>	<u>1,164,663</u>
 On balance sheet-interest rate gap	<u>834,441</u>	<u>96,840</u>	<u>128,404</u>	<u>(4,676)</u>	<u>29,825</u>		

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26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	The Bank 31.12.2010						Non-trading book	Total
	←	←	←	←	←	←		
<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	RM'000	RM'000
Cash and short - term funds	1,050,911	150,228	-	-	-	15,845	1,216,984	
Securities available - for-sale	59,924	54,690	-	-	-	4,271	118,885	
Loans, advances and financing	116,038	149,399	5,373	24,822	3,601	(6,115)^	293,118	
Other assets	-	-	-	-	-	2,225	2,225	
Derivative assets	17,500	-	-	-	-	-	17,500	
Tax recoverable	-	-	-	-	-	588	588	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	900	900	
Property, plant and equipment	-	-	-	-	-	7,427	7,427	
<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>1,657,627</b>	

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

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EXPLANATORY NOTES

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

	The Bank 31.12.2010						Non-trading book	Total
	←	←	←	←	←	←		
<u>Liabilities</u>	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		RM'000
Deposits from customers	149,259	27,041	43,790	936	-	598,625		819,651
Deposits and placements of banks and other financial institutions	176,329	117,329	-	-	-	8,862		302,520
Bills and acceptances payable	-	-	-	-	-	37,467		37,467
Other liabilities	-	-	-	-	-	2,284		2,284
Derivative liabilities	19,446	-	-	-	-	-		19,446
Deferred tax liabilities	-	-	-	-	-	1,243		1,243
<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>1,182,611</b>
 On balance sheet-interest rate gap	 899,339	 209,947	 (38,417)	 23,886	 3,601			

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26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

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

	30.9.2011				31.12.2010	
	<u>MYR</u> %	<u>USD</u> %	<u>GBP</u> %	<u>EUR</u> %	<u>MYR</u> %	<u>USD</u> %
<u>Financial assets</u>						
Cash and short-term funds	3.06	0.06	0.55	-	2.78	0.20
Securities available-for-sale	3.03	-	-	-	2.84	-
Loans, advances and financing	3.56	1.06	-	-	4.97	1.60
<u>Financial liabilities</u>						
Deposits from customers	2.93	0.20	0.20	0.05	2.66	0.13
Deposits and placements of banks and other financial institutions	3.00	0.33	-	-	2.75	0.37

(b) Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial third quarter the amount of contracts which were not hedged and, hence, exposed to market risk was RM662,527 (31.12.2010: RM311,039).

(c) Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of the financial third quarter, the amounts of credit risk, measured in term of the cost to replace the profitable contracts, was RM63,491,798 (31.12.2010: RM17,500,196). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rate or prices.

(d) Liquidity risk

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

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**EXPLANATORY NOTES**

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk

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

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

	The Bank 30.9.2011						Total RM'000
	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	
<u>Assets</u>							
Cash and short-term funds	982,150	237,146	2,373	6,642	3,235	1,988	1,233,534
Securities available-for-sale	53,864	-	-	-	-	-	53,864
Loans, advances and financing	137,279	144,555	-	-	-	-	281,834
Other assets*	81,746	144	-	-	-	-	81,890
Statutory deposit with Bank Negara Malaysia	900	-	-	-	-	-	900
	<u>1,255,939</u>	<u>381,845</u>	<u>2,373</u>	<u>6,642</u>	<u>3,235</u>	<u>1,988</u>	<u>1,652,022</u>

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**EXPLANATORY NOTES**

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

	←	The Bank 30.9.2011 Non-trading book					→
<u>Liabilities</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
Deposits from customers	611,107	278,530	1,747	6,178	3,151	1,241	901,954
Deposits and placements of banks and other financial institutions	9,253	162,533	-	-	-	1	171,787
Bills and acceptances payable	19,400	2,576	-	-	-	-	21,976
Other liabilities <sup>@</sup>	67,332	661	451	496	6	-	68,946
	<u>707,092</u>	<u>444,300</u>	<u>2,198</u>	<u>6,674</u>	<u>3,157</u>	<u>1,242</u>	<u>1,164,663</u>
Currency gap	<u>548,847</u>	<u>(62,455)</u>	<u>175</u>	<u>(32)</u>	<u>78</u>	<u>746</u>	

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EXPLANATORY NOTES

26 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Currency risk (continued)

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

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

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



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EXPLANATORY NOTES

26 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.

27 CAPITAL ADEQUACY

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

	<u>30.9.2011</u> RM'000	<u>31.12.2010</u> RM'000
<u>Tier-I capital</u>		
Share capital	135,800	135,800
Statutory reserves	122,835	122,835
Retained profits	225,338	214,554
	<u>483,973</u>	<u>473,189</u>
Less: Deferred taxation	-	-
Total Tier-I capital	<u>483,973</u>	<u>473,189</u>
<u>Tier-II capital</u>		
Collective impairment provisions	4,292	4,452
Total capital base	<u>488,265</u>	<u>477,641</u>
<u>Capital ratios</u>		
Core capital ratio	82.06%	90.26%
Risk-weighted capital ratio	<u>82.79%</u>	<u>91.11%</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 (Basel II) – Disclosure Requirements (Pillar 3).

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EXPLANATORY NOTES

27 CAPITAL ADEQUACY (CONTINUED)

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

		<u>30.9.2011</u>		<u>31.12.2010</u>	
		<u>Principal</u>	<u>Risk-weighted</u>	<u>Principal</u>	<u>Risk-weighted</u>
		RM'000	RM'000	RM'000	RM'000
(i)	Credit Risk				
	0%	759,493	-	770,399	-
	20%	576,308	115,262	578,721	115,744
	35%	741	259	955	334
	50%	90,782	45,391	258,521	129,261
	75%	466	350	654	490
	100%	341,575	341,575	192,005	192,005
		<u>1,769,365</u>	<u>502,837</u>	<u>1,801,255</u>	<u>437,834</u>
(ii)	Market Risk <sup>#</sup>	-	1,669	-	774
(iii)	Operational Risk	-	85,286	-	85,625
		<u>1,769,365</u>	<u>589,792</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.

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**EXPLANATORY NOTES**

**28 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:

30.9.2011 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	36,718	-	36,718	29,732
Transaction related contingent Items	12,140	-	6,070	4,041
Short Term Self Liquidating trade related contingencies	11,751	-	2,350	1,389
Foreign exchange related contracts				
One year or less	2,198,909	61,252	74,405	66,841
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	308,228	-	61,646	61,646
<b>Total</b>	<b>2,567,746</b>	<b>61,252</b>	<b>181,189</b>	<b>163,649</b>

31.12.2010 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount* RM'000	Risk weighted assets RM'000
Direct Credit Substitutes	26,302	-	26,302	23,607
Transaction related contingent Items	69,017	-	34,509	31,183
Short Term Self Liquidating trade related contingencies	2,206	-	441	226
Foreign exchange related contracts				
One year or less	1,842,776	17,105	22,939	9,139
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	379,559	-	75,912	75,912
<b>Total</b>	<b>2,319,860</b>	<b>17,105</b>	<b>160,103</b>	<b>140,067</b>

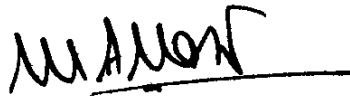
\* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

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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 2011, and the related Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and explanatory notes for the third 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



MOHAMAD ABDUL NASER MD JAAFAR  
Chief Executive Officer