

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**REPORTS AND STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

1182A6/sw

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**REPORTS AND STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

| CONTENTS  | PAGE(S)   |
|---|-----------|
| DIRECTORS' REPORT   | 1 - 9     |
| STATEMENT OF FINANCIAL POSITION   | 10        |
| STATEMENT OF COMPREHENSIVE INCOME   | 11        |
| STATEMENT OF CHANGES IN EQUITY  | 12        |
| STATEMENT OF CASH FLOWS   | 13 - 14   |
| SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL<br>ACCOUNTING ESTIMATES AND ASSUMPTIONS | 15 - 31   |
| NOTES TO THE FINANCIAL STATEMENTS   | 32 - 104  |
| STATEMENT BY DIRECTORS  | 105       |
| STATUTORY DECLARATION   | 105       |
| INDEPENDENT AUDITORS' REPORT TO THE MEMBER  | 106 - 107 |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

The Directors hereby submit their report together with the audited financial statements of Bank of America Malaysia Berhad ("the Bank") for the financial year ended 31 December 2015.

**PRINCIPAL ACTIVITIES**

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

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

**FINANCIAL RESULTS**

|                                   | RM'000        |
|-----------------------------------|---------------|
| Profit before taxation            | 48,415        |
| Taxation                          | (14,224)      |
| Net profit for the financial year | <u>34,191</u> |

**DIVIDENDS**

No dividends have been paid or declared by the Bank since the end of the last financial year. The Directors do not recommend the payment of any dividends for the financial year ended 31 December 2015.

**RESERVES AND PROVISIONS**

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

**BAD AND DOUBTFUL DEBTS**

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

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

In the opinion of the Directors:

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**DIRECTORS OF THE BANK**

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

Raymond Yeoh Cheng Seong  
David Allan Cairns  
Ayesha Natchiar binti Dato' Ally Maricar  
Dato' Mohammed bin Haji Che Hussein  
Dato' Teo Tong Kooi

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

**DIRECTORS' INTERESTS**

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

According to the Register of Directors' Shareholdings maintained by the Bank in accordance with Section 134 of the Companies Act, 1965, the interest of Directors in the shares of Bank of America Corporation during the financial year is as follows:

|                          | <u>Number of ordinary shares of USD0.01 each</u> |   |                   |                              |
|--------------------------|--|---|-------------------|------------------------------|
|                          | <u>As at<br/>1 Jan 2015</u>                      | <u>Shares held by Directors in their own name</u> |                   | <u>As at<br/>31 Dec 2015</u> |
|                          |  | <u>Acquired/<br/>Granted</u>                      | <u>(Disposed)</u> |                              |
| Raymond Yeoh Cheng Seong | 28,997   | 26,440  | (9,665)           | 45,772                       |
| David Allan Cairns       | 21,336   | 8,356   | (12,179)          | 17,513                       |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**DIRECTORS' BENEFITS**

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

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

**HOLDING AND ULTIMATE HOLDING COMPANY**

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

**RISK MANAGEMENT FRAMEWORK**

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

**BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

The Bank continued to operate as a Working Capital Management ("WCM") unit for the financial year ended 31 December 2015. The Bank focused on extending credit facilities, to provide working capital products and services to its major clients, that are multinationals, large local corporations, financial institutions and international multi lateral agencies requiring Trade Finance, Foreign Exchange and Cash Management services. The Bank continued to leverage on its Fixed Income, Currency and Commodity ("FICC") business, which includes trading of foreign exchange, interest rate swaps and government securities. The Bank actively pursued opportunities to establish its Vendor Financing business.

**OUTLOOK FOR THE FINANCIAL YEAR 2016**

The Bank will continue to leverage the competitive advantages gained from the combination of Bank of America Merrill Lynch's global network, extensive product platform and full commercial banking presence in Malaysia. The business strategy will revolve around using these competitive factors to deliver the products our clients want and need, and to improve the quality of our services and our local product platform. We intend to deepen relationships with our existing multinational and local client base aiming for a greater share of the clients business in Malaysia. We will also selectively onboard new clients who are able to meet our strict client selection criteria. The Bank will continue to focus on the working capital management model which comprises treasury management, foreign exchange, payments and receipts, trade finance and other financing. The Bank's FICC business is also expected to continue on a steady trajectory.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT**

Introduction

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

**BOARD OF DIRECTORS**

The Board

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

Composition of the Board

As of 31 December 2015, the Board has five (5) members, comprising the Chairman/Non-Executive Director (1), Executive Director (1), and Independent Directors (3), as follows:-

Designation

|  |                                 |
|--|---------------------------------|
| David Allan Cairns                       | Chairman/Non-Executive Director |
| Raymond Yeoh Cheng Seong                 | Executive Director              |
| Ayesha Natchiar binti Dato' Ally Maricar | Independent Director            |
| Dato' Mohammed bin Haji Che Hussein      | Independent Director            |
| Dato' Teo Tong Kooi                      | Independent Director            |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Composition of the Board (continued)

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

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

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

Board Meetings

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

The Board met 6 times during the financial year ended 31 December 2015. The attendance of each director in office at the end of the financial year on the aforesaid Board meetings are set out below:-

| <u>Directors</u>   | <u>Meetings Attended of Total</u> | <u>Attendance %</u> |
|--|-----------------------------------|---------------------|
| David Allan Cairns<br>Chairman/Non-Executive Director            | 6/6                               | 100%                |
| Raymond Yeoh Cheng Seong<br>Executive Director                   | 6/6                               | 100%                |
| Ayesha Natchiar binti Dato' Ally Maricar<br>Independent Director | 6/6                               | 100%                |
| Dato' Mohammed bin Haji Che Hussein<br>Independent Director      | 6/6                               | 100%                |
| Dato' Teo Tong Kooi<br>Independent Director                      | 6/6                               | 100%                |



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Board Meetings (continued)

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

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

**DISCLOSURE OF BOARD COMMITTEES**

Audit Committee

The Board has established the Audit Committee since 1994. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2015, a total of 4 meetings were held and details of attendance of each member at the Audit Committee meetings held during the year as at 31 December 2015 are as follows:-

| <u>Composition of the Audit Committee</u>      | <u>Attendance at the committee meetings</u> |
|--|---|
| Dato' Mohammed bin Haji Che Hussein (Chairman) | 4/4   |
| David Allan Cairns                             | 4/4   |
| Ayesha Natchiar binti Dato' Ally Maricar       | 4/4   |

Company No.

310983

V

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**DISCLOSURE OF BOARD COMMITTEES (CONTINUED)**

Risk Management Committee

The Board have established the Risk Management Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2015, a total of 4 meetings were held and details of attendance of each member at the Risk Management Committee meetings held during the year as at 31 December 2015 are as follows:-

Composition of Risk Management Committee

Attendance at the committee meetings

|   |     |
|---|-----|
| Ayesha Natchiar binti Dato' Ally Maricar (Chairman) | 4/4 |
| Dato' Teo Tong Kooi                                 | 4/4 |
| David Allan Cairns                                  | 4/4 |

Nominating Committee

The Board have established the Nominating Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2015, 2 meetings were held and details of attendance of each member at the Nominating Committee meetings held during the year as at 31 December 2015 are as follows:-

Composition of Nominating Committee

Attendance at the committee meeting

|  |     |
|--|-----|
| Dato' Teo Tong Kooi (Chairman)           | 2/2 |
| Ayesha Natchiar binti Dato' Ally Maricar | 2/2 |
| David Allan Cairns                       | 2/2 |

Remuneration Committee

The Board have established the Remuneration Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2015, 3 meetings were held and details of attendance of each member at the Remuneration Committee meetings held during the year as at 31 December 2015 are as follows:-

Composition of Remuneration Committee

Attendance at the committee meeting

|  |     |
|--|-----|
| Dato' Teo Tong Kooi (Chairman)           | 3/3 |
| Ayesha Natchiar binti Dato' Ally Maricar | 3/3 |
| David Allan Cairns                       | 3/3 |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

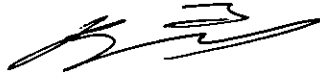
**RATING BY AGENCIES**

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

**AUDITORS**

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

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



**RAYMOND YEOH CHENG SEONG**  
**DIRECTOR**



**DAVID ALLAN CAIRNS**  
**DIRECTOR**

Kuala Lumpur  
23 June 2016

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

|   | <u>Note</u> | <u>2015</u><br>RM'000    | <u>2014</u><br>RM'000    |
|---|-------------|--------------------------|--------------------------|
| <b>ASSETS</b>   |             |                          |                          |
| Cash and short-term funds   | 2           | 1,411,562                | 1,642,304                |
| Deposits and placements with banks                                |             | 1,008                    | 3,934                    |
| Securities held-for-trading ('HFT')                               | 3           | 297,049                  | 622,870                  |
| Securities available-for-sale ('AFS')                             | 4           | 2,995                    | 2,995                    |
| Loans, advances and financing                                     | 5           | 278,152                  | 235,291                  |
| Other assets  | 6           | 156,279                  | 21,315                   |
| Derivative assets   | 7           | 381,661                  | 91,423                   |
| Tax recoverable   |             | 2,287                    | 2,727                    |
| Deferred taxation   | 8           | 993                      | 626                      |
| Statutory deposit with Bank Negara Malaysia                       | 9           | 7,591                    | 3,000                    |
| Property, plant and equipment                                     | 10          | 4,454                    | 7,140                    |
| <b>TOTAL ASSETS</b>   |             | <u><u>2,544,031</u></u>  | <u><u>2,633,625</u></u>  |
| <b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>                        |             |                          |                          |
| Deposits from customers   | 11          | 1,393,370                | 1,888,735                |
| Deposits and placements of banks and other financial institutions | 12          | 38,393                   | 75,740                   |
| Bills and acceptances payable                                     |             | 27,156                   | 31,746                   |
| Other liabilities   | 13          | 135,251                  | 60,670                   |
| Derivative liabilities  | 14          | 400,197                  | 61,275                   |
| <b>TOTAL LIABILITIES</b>  |             | <u><u>1,994,367</u></u>  | <u><u>2,118,166</u></u>  |
| Share capital   | 15          | 135,800                  | 135,800                  |
| Reserves  | 16          | 413,864                  | 379,659                  |
| <b>Shareholders' funds</b>  |             | <u><u>549,664</u></u>    | <u><u>515,459</u></u>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>                  |             | <u><u>2,544,031</u></u>  | <u><u>2,633,625</u></u>  |
| <b>COMMITMENTS AND CONTINGENCIES</b>                              | 26          | <u><u>27,904,290</u></u> | <u><u>16,731,088</u></u> |

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

|  | <u>Note</u> | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-------------|-----------------------|-----------------------|
| Interest income  | 17          | 61,238                | 78,567                |
| Interest expense   | 18          | (11,587)              | (16,487)              |
| Net interest income  |             | <u>49,651</u>         | <u>62,080</u>         |
| Other operating income   | 19          | 60,432                | 14,563                |
| Net income   |             | <u>110,083</u>        | <u>76,643</u>         |
| Other operating expenses   | 20          | (61,011)              | (61,769)              |
| Profit before allowance  |             | <u>49,072</u>         | <u>14,874</u>         |
| Allowances for impairment losses                                     | 23          | (657)                 | (912)                 |
| Profit before taxation   |             | <u>48,415</u>         | <u>13,962</u>         |
| Taxation   | 25          | (14,224)              | (6,164)               |
| Profit for the financial year  |             | <u>34,191</u>         | <u>7,798</u>          |
| Other comprehensive income:  |             |                       |                       |
| <u>Items that may be subsequently reclassified to profit or loss</u> |             |                       |                       |
| Change in value of available-for-sale financial assets:              |             |                       |                       |
| - Net gain from change in fair value                                 |             | -                     | 22                    |
| - Income tax effects   |             | 14                    | (6)                   |
| Other comprehensive income, net of tax                               |             | <u>14</u>             | <u>16</u>             |
| Total comprehensive income for the financial year                    |             | <u>34,205</u>         | <u>7,814</u>          |
| Earnings per share (sen)   |             |                       |                       |
| - Basic/Diluted  | 27          | <u>25.18</u>          | <u>5.74</u>           |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

|  | <u>Non-distributable</u> <u>Distributable</u> |                                    |  |   |                                       | <u>Total</u><br>RM'000 |
|--|---|------------------------------------|--|---|---------------------------------------|------------------------|
|  | <u>Share capital</u><br>RM'000                | <u>Statutory reserve</u><br>RM'000 | <u>Available-<br/>for-sale<br/>reserve</u><br>RM'000 | <u>Regulatory<br/>reserve</u><br>RM'000 | <u>Retained<br/>profits</u><br>RM'000 |                        |
| At 1 January 2015                                    | 135,800                                       | 132,898                            | 1,033  | -                                       | 245,728                               | 515,459                |
| Total comprehensive income<br>for the financial year | -   | -                                  | 14   | -                                       | 34,191                                | 34,205                 |
| Transfer to regulatory reserve                       | -   | -                                  | -  | 1,337                                   | (1,337)                               | -                      |
| Transfer to statutory reserve                        | -   | 8,548                              | -  | -                                       | (8,548)                               | -                      |
| At 31 December 2015                                  | <u>135,800</u>                                | <u>141,446</u>                     | <u>1,047</u>   | <u>1,337</u>                            | <u>270,034</u>                        | <u>549,664</u>         |
| At 1 January 2014                                    | 135,800                                       | 130,949                            | 1,017  | -                                       | 239,879                               | 507,645                |
| Total comprehensive income<br>for the financial year | -   | -                                  | 16   | -                                       | 7,798                                 | 7,814                  |
| Transfer to statutory reserve                        | -   | 1,949                              | -  | -                                       | (1,949)                               | -                      |
| At 31 December 2014                                  | <u>135,800</u>                                | <u>132,898</u>                     | <u>1,033</u>   | <u>-</u>                                | <u>245,728</u>                        | <u>515,459</u>         |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| <b>CASH FLOWS (USED IN)/FROM<br/>OPERATING ACTIVITIES</b>            |                       |                       |
| Profit before taxation   | 48,415                | 13,962                |
| Adjustments for:   |                       |                       |
| Depreciation of property, plant and equipment                        | 3,121                 | 4,052                 |
| (Gain)/Loss on disposal of property, plant and<br>equipment          | (49)                  | 340                   |
| Allowances for impairment losses                                     | 727                   | 930                   |
| Accretion of discount  | -                     | (1,274)               |
| Net unrealised gain/(loss) on fair value changes in<br>derivatives   | 48,680                | (20,394)              |
| Net unrealised gain on revaluation of<br>securities held-for-trading | (3,200)               | (1,446)               |
|  | <hr/>                 | <hr/>                 |
| <b>OPERATING PROFIT/(LOSS) BEFORE WORKING<br/>CAPITAL CHANGES</b>    | 97,694                | (3,830)               |
| (Increase)/Decrease in operating assets:                             |                       |                       |
| Deposits and placements with banks                                   | 2,926                 | (3,934)               |
| Securities held-for-trading ('HFT')                                  | 329,021               | (47,904)              |
| Loans, advances and financing  | (43,588)              | (123,567)             |
| Other assets   | (134,964)             | (14,845)              |
| Derivative assets  | (338,918)             | (39,124)              |
| Statutory deposit with Bank Negara Malaysia                          | (4,591)               | (700)                 |
| Increase/(Decrease) in operating liabilities:                        |                       |                       |
| Deposits from customers  | (495,365)             | 404                   |
| Deposits and placements of banks and other<br>financial institutions | (37,347)              | (802,114)             |
| Bills and acceptances payable  | (4,590)               | 12,635                |
| Other liabilities  | 74,581                | 35,584                |
| Derivative liabilities   | 338,922               | 39,119                |
|  | <hr/>                 | <hr/>                 |
| <b>CASH FLOWS USED IN OPERATING<br/>ACTIVITIES</b>                   | (216,219)             | (948,276)             |
| Taxation paid  | (14,137)              | (5,064)               |
|  | <hr/>                 | <hr/>                 |
| <b>NET CASH USED IN OPERATING<br/>ACTIVITIES</b>                     | (230,356)             | (953,340)             |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

|   | <u>Note</u> | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |             |                       |                       |
| Purchase of property, plant and equipment                     |             | (449)                 | (3,680)               |
| Proceeds from disposal of property, plant and equipment       |             | 63                    | 89                    |
| Net redemption of securities available-for-sale               |             | -                     | 86,076                |
|   |             | <hr/>                 | <hr/>                 |
| <b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b> |             | (386)                 | 82,485                |
|   |             | <hr/>                 | <hr/>                 |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>              |             | (230,742)             | (870,855)             |
| <b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>              |             | 1,642,304             | 2,513,159             |
|   |             | <hr/>                 | <hr/>                 |
| <b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>            | 2           | <u>1,411,562</u>      | <u>1,642,304</u>      |



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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
ACCOUNTING ESTIMATES AND ASSUMPTIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**A BASIS OF PREPARATION**

The financial statements of the Bank have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note II to the critical accounting estimates and assumptions.

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

The new accounting standards and amendment to published standards that are effective and applicable to the Bank for the financial year beginning 1 January 2015 are as follows:

- Annual improvement to MFRSs 2010 – 2012 Cycle
  - Amendment to MFRS 2 "Share-based Payment"
  - Amendment to MFRS 13 "Fair Value Measurement"
  - Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
  - Amendment to MFRS 124 "Related Party Disclosures"

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**A BASIS OF PREPARATION (CONTINUED)**

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

- Annual improvement to MFRSs 2011 – 2013 Cycle
  - Amendment to MFRS 13 “Fair Value Measurement”
- Amendments to MFRS 119 “Defined Benefits Plans: Employee Contributions”

The adoption of the above new accounting standards, amendments and improvements to published standards does not have any material impact on the Bank’s financial statements.

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

The Bank will apply the new standards, amendments to standards and interpretations in the following period:

(i) Financial year beginning on/after 1 January 2016

- Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangible Assets”

The amendments clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 119 “Employee Benefits”

It states that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

(ii) Financial year beginning on/after 1 January 2018

- MFRS 15 “Revenue from Contracts with Customers”

MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

#### I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A BASIS OF PREPARATION (CONTINUED)

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

(ii) Financial year beginning on/after 1 January 2018 (continued)

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Bank except for MFRS 9. The Bank has initiated the assessment of the potential effect of this Standard. Due to the complexity of this standard, the financial impact of its adoption is still being assessed by the Bank. This standard is expected to have pervasive impact on the Bank's financial statements.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

#### I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B INTEREST INCOME RECOGNITION

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

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

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

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

#### C RECOGNITION OF FEES AND OTHER INCOME

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**D OTHER PROVISIONS**

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

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

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

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

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

**E REPURCHASE AGREEMENTS**

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

**F FINANCIAL ASSETS**

**(a) Classification**

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**F FINANCIAL ASSETS (CONTINUED)**

**(a) Classification (continued)**

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

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

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

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

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**(iii) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

**(b) Recognition and measurement**

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets, carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**F FINANCIAL ASSETS (CONTINUED)**

**(b) Recognition and measurement (continued)**

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

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other operating gains/(losses)' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Bank's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are including in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Bank's right to receive payments is established.

**G FINANCIAL LIABILITIES**

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



**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)****I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****G FINANCIAL LIABILITIES (CONTINUED)****(a) Financial liabilities at fair value through profit or loss**

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

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

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

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

**H OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

**I IMPAIRMENT OF FINANCIAL ASSETS****(a) Assets carried at amortised cost**

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)****I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)****(a) Assets carried at amortised cost (continued)**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

**(b) Assets classified as available-for-sale**

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Bank uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**J IMPAIRMENT OF NON-FINANCIAL ASSETS**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

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

**K PROPERTY, PLANT AND EQUIPMENT**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates of depreciation are:

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note J).

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

|             |   |
|-------------|---|
| Company No. |   |
| 310983      | V |

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**L BILLS AND ACCEPTANCES PAYABLE**

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

**M DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING**

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

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

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

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

**(a) Fair value hedge**

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

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

**(b) Cash flow hedge**

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

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

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

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

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

**N FOREIGN CURRENCY TRANSLATION**

**(a) Functional and presentation currency**

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

**(b) Transactions and balances**

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating gains/(losses)'.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**N FOREIGN CURRENCY TRANSLATION (CONTINUED)**

**(b) Transactions and balances (continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

**O CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period comprised current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

**P CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and short-term funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**Q EMPLOYEE BENEFITS**

**(a) Short term employee benefits**

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

**(b) Post employment benefits**

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

The contributions to EPF are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**R SHARE-BASED PAYMENTS**

The Bank participates in several employee compensation plans managed by Bank of America Corporation ("BAC"), the ultimate holding company.

As this is a group share based payment arrangement, all awards are treated by the Bank as equity settled share-based payment plans and are measured based on the fair value of those awards at grant date and recognised as staff costs.

For most awards, expense is generally recognised ratably over the vesting period net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Bank records the expense upon grant. For employees that become retirement eligible during the vesting period, the Bank recognises expense from grant date to the date on which the employee becomes retirement eligible, net of estimated forfeitures.

There is no net equity impact on the Bank's financial position as the Bank has contracted under a global Recharge Agreement to reimburse BAC or through an intermediate holding company, for the issuance of shares under these awards.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

**S CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

**II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

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

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



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
ACCOUNTING ESTIMATES AND ASSUMPTIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)**

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

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

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

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

#### 1 GENERAL INFORMATION

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

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

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

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

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

#### 2 CASH AND SHORT-TERM FUNDS

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| Cash and balances with banks and other financial institutions  | 76,717                | 23,931                |
| Money at call and deposit placements maturing within one month | 1,334,845             | 1,618,373             |
|  | <u>1,411,562</u>      | <u>1,642,304</u>      |

#### 3 SECURITIES HELD-FOR-TRADING ('HFT')

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| Malaysian Government Securities        | 288,137               | 369,532               |
| Bank Negara Malaysia Bills             | -                     | 243,337               |
| Malaysian Government Investment Issues | 8,912                 | 10,001                |
|  | <u>297,049</u>        | <u>622,870</u>        |

#### 4 SECURITIES AVAILABLE-FOR-SALE ('AFS')

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| <u>Unquoted securities in Malaysia:</u> |                       |                       |
| Shares                                  | 2,980                 | 2,980                 |
| Bonds                                   | 15                    | 15                    |
|   | <u>2,995</u>          | <u>2,995</u>          |

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 5 LOANS, ADVANCES AND FINANCING

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| (a) Loans, advances and financing analysed by type:                               |                |                |
| At amortised cost:  |                |                |
| Overdrafts  | 18,933         | 30,509         |
| Factoring receivables   | 7,504          | 51,997         |
| Claims on customers under acceptance credits                                      | 67,190         | 3,100          |
| Staff loans   | 1,246          | 1,460          |
| Revolving advances  | 115,891        | 148,801        |
| Term loans  | 68,900         | -              |
| Real estate loans   | 596            | 805            |
|   | <hr/>          | <hr/>          |
| Gross loans, advances and financing   | 280,260        | 236,672        |
| Allowance for losses on loans, advances<br>and financing:                         |                |                |
| Individual assessment   | (83)           | (205)          |
| Collective assessment   | (2,025)        | (1,176)        |
|   | <hr/>          | <hr/>          |
| Total net loans, advances and financing   | <u>278,152</u> | <u>235,291</u> |
| (b) Gross loans, advances and financing<br>analysed by geographical distribution: |                |                |
| Malaysia  | <u>280,260</u> | <u>236,672</u> |
| (c) Gross loans, advances and financing<br>analysed by type of customer:          |                |                |
| Domestic business enterprises   | 275,854        | 215,286        |
| Domestic non-banking financial institutions                                       | 2,190          | 18,572         |
| Government and statutory bodies   | 374            | 549            |
| Individuals   | 1,842          | 2,265          |
|   | <hr/>          | <hr/>          |
|   | <u>280,260</u> | <u>236,672</u> |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| (d) Gross loans, advances and financing analysed by interest rate sensitivity:     |                       |                       |
| Fixed rate:  |                       |                       |
| Housing loans  | 1,049                 | 1,145                 |
| Other fixed rate loans   | 195,169               | 226,299               |
| Variable rate:   |                       |                       |
| BLR plus   | 1,300                 | 1,629                 |
| Cost plus  | 13,842                | 7,599                 |
| Libor plus   | 68,900                | -                     |
|  | <u>280,260</u>        | <u>236,672</u>        |
| (e) Gross loans, advances and financing analysed by economic purpose:              |                       |                       |
| Purchase of transport vehicles   | 96                    | 254                   |
| Purchase of landed property (residential)  | 1,645                 | 1,951                 |
| Personal use   | 89                    | 38                    |
| Purchase of consumer durables  | 12                    | 22                    |
| Working capital  | 278,418               | 234,407               |
|  | <u>280,260</u>        | <u>236,672</u>        |
| (f) Gross loans, advances and financing analysed by residual contractual maturity: |                       |                       |
| Within one year  | 273,687               | 226,865               |
| One year to three years  | 4,999                 | 7,905                 |
| Three years to five years  | 255                   | 304                   |
| Over five years  | 1,319                 | 1,598                 |
|  | <u>280,260</u>        | <u>236,672</u>        |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

|   | 2015<br>RM'000 | 2014<br>RM'000 |
|---|----------------|----------------|
| (g) Movements in impaired loans, advances and financing are as follows:                         |                |                |
| At 1 January  | 278            | 1,003          |
| Classified as impaired during the financial year  | -              | 94             |
| Interest income recognised during the financial year  | 10             | 56             |
| Amount recovered during the financial year  | (51)           | (166)          |
| Amount written off  | -              | (709)          |
| Reclassified as performing during the financial year  | (96)           | -              |
|   | <hr/>          | <hr/>          |
| At 31 December  | 141            | 278            |
| Individual assessment allowance   | (83)           | (205)          |
|   | <hr/>          | <hr/>          |
| Net impaired loans, advances and financing  | 58             | 73             |
|   | <hr/>          | <hr/>          |
| Gross impaired loans as a % of gross loans, advances and financing                              | 0.05%          | 0.12%          |
|   | <hr/>          | <hr/>          |
| (h) Movements in allowance for losses on impaired loans, advances and financing are as follows: |                |                |
| <u>Individual assessment allowance</u>  |                |                |
| At 1 January  | 205            | 831            |
| Allowance made during the financial year  | -              | 52             |
| Write back made during the financial year   | (122)          | (678)          |
|   | <hr/>          | <hr/>          |
| At 31 December  | 83             | 205            |
|   | <hr/>          | <hr/>          |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| (h) Movements in allowance for losses on impaired loans, advances and financing are as follows: (continued)   |                       |                       |
| <u>Collective assessment allowance</u>  |                       |                       |
| At 1 January  | 1,176                 | 329                   |
| Allowance made during the financial year  | 849                   | 847                   |
| At 31 December  | <u>2,025</u>          | <u>1,176</u>          |
| Portfolio impairment allowance<br>(inclusive of regulatory reserve) as %<br>of gross loan, advances and financing<br>less individual assessment allowance | <u>1.20%</u>          | <u>0.50%</u>          |
|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
| (i) Impaired loans, advances and financing<br>analysed by geographical distribution:  |                       |                       |
| Malaysia  | <u>141</u>            | <u>278</u>            |
| (j) Impaired loans, advances and financing<br>analysed by economic purpose:   |                       |                       |
| Purchase of landed property (residential)   | <u>141</u>            | <u>278</u>            |
| 6 <b>OTHER ASSETS</b>   |                       |                       |
|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
| Other receivables   | 155,627               | 20,928                |
| Deposits  | 36                    | 36                    |
| Prepayments   | 616                   | 351                   |
|   | <u>156,279</u>        | <u>21,315</u>         |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

7 DERIVATIVE ASSETS

|  | <u>2015</u><br>RM'000  | <u>2014</u><br>RM'000                                 |
|--|--|---|
| Foreign exchange forwards and swaps    | 330,073  | 73,517  |
| Interest rate and cross currency swaps | 51,588   | 17,906  |
|  | <u>381,661</u>   | <u>91,423</u>   |
|  | <u>Contract or<br/>underlying<br/>principal amount</u><br>RM'000 | <u>Year end<br/>positive<br/>fair value</u><br>RM'000 |
| <u>2015</u>                            |  |   |
| Foreign exchange forwards and swaps    | 5,162,087  | 330,073   |
| Interest rate and cross currency swaps | 8,941,730  | 51,588  |
|  | <u>14,103,817</u>  | <u>381,661</u>  |
| <u>2014</u>                            |  |   |
| Foreign exchange forwards and swaps    | 1,628,327  | 73,517  |
| Interest rate and cross currency swaps | 7,495,680  | 17,906  |
|  | <u>9,124,007</u>   | <u>91,423</u>   |

8 DEFERRED TAXATION

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

|                          | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--------------------------|-----------------------|-----------------------|
| Deferred tax assets      | 1,509                 | 1,455                 |
| Deferred tax liabilities | (516)                 | (829)                 |
|                          | <u>993</u>            | <u>626</u>            |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**8 DEFERRED TAXATION (CONTINUED)**

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

|   | <u>General<br/>allowance</u><br>RM'000 | <u>Accelerated<br/>tax<br/>depreciation</u><br>RM'000 | <u>Available-<br/>for-sale<br/>reserve</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|--|---|--|------------------------|
| At 1 January 2015                                   | 1,455                                  | (484)   | (345)  | 626                    |
| Charged to income statement<br>(Note 25)            | 54                                     | 299   | -  | 353                    |
| Credited to available-for-sale-reserve              | -                                      | -   | 14   | 14                     |
| As at 31 December 2015                              | <u>1,509</u>                           | <u>(185)</u>  | <u>(331)</u>   | <u>993</u>             |
| At 1 January 2014                                   | 1,585                                  | (961)   | (339)  | 285                    |
| (Charged)/Credited to<br>income statement (Note 25) | (130)                                  | 477   | -  | 347                    |
| Charged to available-for-sale-reserve               | -                                      | -   | (6)  | (6)                    |
| As at 31 December 2014                              | <u>1,455</u>                           | <u>(484)</u>  | <u>(345)</u>   | <u>626</u>             |

**9 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

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



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

10 PROPERTY, PLANT AND EQUIPMENT

|                                 | <u>Office<br/>equipment<br/>and furniture</u><br>RM'000 | <u>Computer<br/>equipment<br/>and software</u><br>RM'000 | <u>Bank<br/>premises<br/>alterations</u><br>RM'000 | <u>Works-in-<br/>progress</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---------------------------------|---|--|--|---|------------------------|
| <u>2015</u>                     |   |  |  |   |                        |
| <u>Cost</u>                     |   |  |  |   |                        |
| At 1 January 2015               | 10,860  | 11,351   | 5,124  | -                                       | 27,335                 |
| Additions                       | 124   | 325  | -  | -                                       | 449                    |
| Disposal                        | (2,146)   | (63)   | -  | -                                       | (2,209)                |
| At 31 December 2015             | <u>8,838</u>  | <u>11,613</u>  | <u>5,124</u>                                       | <u>-</u>                                | <u>25,575</u>          |
| <u>Accumulated depreciation</u> |   |  |  |   |                        |
| At 1 January 2015               | 7,752   | 9,549  | 2,894  | -                                       | 20,195                 |
| Charge for the financial year   | 896   | 887  | 1,338  | -                                       | 3,121                  |
| Disposal                        | (2,146)   | (49)   | -  | -                                       | (2,195)                |
| At 31 December 2015             | <u>6,502</u>  | <u>10,387</u>  | <u>4,232</u>                                       | <u>-</u>                                | <u>21,121</u>          |
| <u>Net book value</u>           |   |  |  |   |                        |
| At 31 December 2015             | <u><u>2,336</u></u>                                     | <u><u>1,226</u></u>                                      | <u><u>892</u></u>                                  | <u><u>-</u></u>                         | <u><u>4,454</u></u>    |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                                 | <u>Office<br/>equipment<br/>and furniture</u><br>RM'000 | <u>Computer<br/>equipment<br/>and software</u><br>RM'000 | <u>Bank<br/>premises<br/>alterations</u><br>RM'000 | <u>Works-in-<br/>progress</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---------------------------------|---|--|--|---|------------------------|
| <u>2014</u>                     |   |  |  |   |                        |
| <u>Cost</u>                     |   |  |  |   |                        |
| At 1 January 2014               | 7,861   | 11,157   | 2,360  | 3,038                                   | 24,416                 |
| Additions                       | 1,846   | 202  | 126  | 1,506                                   | 3,680                  |
| Transfer                        | 1,616   | 260  | 2,668  | (4,544)                                 | -                      |
| Disposal                        | (463)   | (268)  | (30)   | -                                       | (761)                  |
| At 31 December 2014             | <u>10,860</u>   | <u>11,351</u>  | <u>5,124</u>                                       | <u>-</u>                                | <u>27,335</u>          |
| <u>Accumulated depreciation</u> |   |  |  |   |                        |
| At 1 January 2014               | 5,808   | 8,311  | 2,356  | -                                       | 16,475                 |
| Charge for the financial year   | 2,027   | 1,457  | 568  | -                                       | 4,052                  |
| Disposal                        | (83)  | (219)  | (30)   | -                                       | (332)                  |
| At 31 December 2014             | <u>7,752</u>  | <u>9,549</u>   | <u>2,894</u>                                       | <u>-</u>                                | <u>20,195</u>          |
| <u>Net book value</u>           |   |  |  |   |                        |
| At 31 December 2014             | <u><u>3,108</u></u>                                     | <u><u>1,802</u></u>                                      | <u><u>2,230</u></u>                                | <u><u>-</u></u>                         | <u><u>7,140</u></u>    |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

11 DEPOSITS FROM CUSTOMERS

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| Demand deposits   | 1,272,139             | 1,577,104             |
| Saving deposits   | 23                    | 86                    |
| Fixed deposits  | 121,208               | 311,545               |
|   | <u>1,393,370</u>      | <u>1,888,735</u>      |
| <br>(a) Maturity structure of fixed deposits is as follows:             |                       |                       |
| Due within six months   | 94,373                | 288,707               |
| Six months to one year  | 26,583                | 21,708                |
| One year to five years  | 252                   | 884                   |
| More than five years  | -                     | 246                   |
|   | <u>121,208</u>        | <u>311,545</u>        |
| <br>(b) The deposits are sourced from the following types of customers: |                       |                       |
| Business enterprises  | 1,389,436             | 1,880,970             |
| Individuals   | 98                    | 5,381                 |
| Others  | 3,836                 | 2,384                 |
|   | <u>1,393,370</u>      | <u>1,888,735</u>      |

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

|                              | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|------------------------------|-----------------------|-----------------------|
| Licensed banks               | 22,206                | 59,860                |
| Other financial institutions | 16,187                | 15,880                |
|                              | <u>38,393</u>         | <u>75,740</u>         |

**13 OTHER LIABILITIES**

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| Deferred income on loans, advances and financing | 1,305                 | 13                    |
| Other payables                                   | 126,291               | 53,214                |
| Accruals   | 7,655                 | 7,443                 |
|  | <u>135,251</u>        | <u>60,670</u>         |

**14 DERIVATIVE LIABILITIES**

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| Foreign exchange forwards and swaps    | 374,932               | 49,039                |
| Interest rate and cross currency swaps | 25,265                | 12,236                |
|  | <u>400,197</u>        | <u>61,275</u>         |

| <u>Contract or<br/>underlying<br/>principal amount</u><br>RM'000 | <u>Year end<br/>negative<br/>fair value</u><br>RM'000 |
|--|---|
|--|---|

2015

|  |                   |                |
|--|-------------------|----------------|
| Foreign exchange forwards and swaps    | 6,073,108         | 374,932        |
| Interest rate and cross currency swaps | 7,021,632         | 25,265         |
|  | <u>13,094,740</u> | <u>400,197</u> |

2014

|  |                  |               |
|--|------------------|---------------|
| Foreign exchange forwards and swaps    | 1,582,427        | 49,039        |
| Interest rate and cross currency swaps | 5,448,920        | 12,236        |
|  | <u>7,031,347</u> | <u>61,275</u> |

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 15 SHARE CAPITAL

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| Authorised:                             |                       |                       |
| 250,000,000 ordinary shares of RM1 each | <u>250,000</u>        | <u>250,000</u>        |
| Issued and fully paid:                  |                       |                       |
| 135,800,000 ordinary shares of RM1 each | <u>135,800</u>        | <u>135,800</u>        |

## 16 RESERVES

(i) The statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act, 2013 and is not distributable as cash dividends.

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

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| At 1 January  | 1,033                 | 1,017                 |
| Net change in revaluation reserve of financial assets<br>available-for-sale | -                     | 22                    |
| Deferred taxation   | 14                    | (6)                   |
| At 31 December  | <u>1,047</u>          | <u>1,033</u>          |

(iii) The regulatory reserve is maintained in compliance with Paragraph 15.2 of Bank Negara Malaysia Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 6 April 2015. The guideline requires banking institutions to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total loans, advances and financing, net of individual impairment allowances.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

|    |   |               |               |
|----|---|---------------|---------------|
| 17 | INTEREST INCOME   |               |               |
|    |   | <u>2015</u>   | <u>2014</u>   |
|    |   | RM'000        | RM'000        |
|    | Loans, advances and financing   | 9,027         | 6,682         |
|    | Money at call and deposit placements with<br>banks and other financial institutions | 31,807        | 41,144        |
|    | Securities available-for-sale   | -             | 1,274         |
|    | Securities held-for-trading   | 20,404        | 29,467        |
|    |   | <u>61,238</u> | <u>78,567</u> |
| 18 | INTEREST EXPENSE  |               |               |
|    |   | <u>2015</u>   | <u>2014</u>   |
|    |   | RM'000        | RM'000        |
|    | Deposits and placements of banks and other<br>financial institutions                | 365           | 744           |
|    | Deposits from customers   | 11,098        | 15,735        |
|    | Others  | 124           | 8             |
|    |   | <u>11,587</u> | <u>16,487</u> |
| 19 | OTHER OPERATING INCOME  |               |               |
|    |   | <u>2015</u>   | <u>2014</u>   |
|    |   | RM'000        | RM'000        |
|    | <u>Fee income</u>   |               |               |
|    | Commission  | 569           | 716           |
|    | Service charges and fees  | 4,853         | 4,045         |
|    | Guarantee fees  | 1,290         | 858           |
|    | Management fee income   | 2,666         | 2,311         |
|    | Other fee income  | 3,427         | 4,726         |
|    | Total fee income  | <u>12,805</u> | <u>12,656</u> |
|    | <u>Net gain/(loss) arising from securities held-for-trading</u>                     |               |               |
|    | Net gain/(loss) from sale of securities held-for-trading                            | 8,970         | (6,819)       |
|    | Unrealised revaluation gain on securities held-for-trading                          | 3,200         | 1,446         |
|    | <u>Unrealised (loss)/gains on revaluation of derivative instruments</u>             |               |               |
|    | Foreign exchange forwards and swaps   | (69,337)      | 17,220        |
|    | Interest rate and cross currency swaps  | 20,657        | 3,174         |
|    | Realised loss on derivatives  | (24,738)      | (3,980)       |
|    | Realised foreign exchange (loss)/gain   | 108,353       | (9,137)       |
|    | Gain on disposal of property, plant and equipment                                   | 49            | -             |
|    | Others  | 473           | 3             |
|    |   | <u>60,432</u> | <u>14,563</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

20 OTHER OPERATING EXPENSES

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| <u>Personnel costs</u>                            |                       |                       |
| Salaries, allowances and bonuses                  | 22,138                | 23,990                |
| Share-based compensation                          | 2,779                 | 1,551                 |
| Defined contribution plans                        | 4,103                 | 4,097                 |
| Other staff related cost                          | 1,806                 | 864                   |
|   | <u>30,826</u>         | <u>30,502</u>         |
| <u>Establishment costs</u>                        |                       |                       |
| Depreciation of property, plant and equipment     | 3,121                 | 4,052                 |
| Loss on disposal of property, plant and equipment | -                     | 340                   |
| Rental of premises                                | 1,112                 | 1,092                 |
| Rental of equipment                               | 405                   | 389                   |
| Repair and maintenance                            | 1,261                 | 585                   |
| Information technology expenses                   | 4                     | 1                     |
| Others  | 1,862                 | 1,966                 |
|   | <u>7,765</u>          | <u>8,425</u>          |
| <u>Marketing expenses</u>                         |                       |                       |
| Advertising and publicity                         | 28                    | 32                    |
| Others  | 236                   | 255                   |
|   | <u>264</u>            | <u>287</u>            |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

20 OTHER OPERATING EXPENSES (CONTINUED)

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| <u>Administration and general expenses</u>  |                       |                       |
| Auditors' remuneration                      |                       |                       |
| <u>Current year</u>                         |                       |                       |
| - statutory audit fees                      | 119                   | 117                   |
| - non-audit fees                            | 70                    | 60                    |
| <u>(Over)/Under-accrual from prior year</u> |                       |                       |
| - statutory audit fees                      | (4)                   | (3)                   |
| - non-audit fees                            | 5                     | 5                     |
| Communication expenses                      | 1,679                 | 2,983                 |
| Legal and professional fees                 | 680                   | 628                   |
| Stationery and postages                     | 818                   | 744                   |
| Shared administrative support expenses      | 14,983                | 13,980                |
| Others                                      | 3,806                 | 4,041                 |
|   | <u>22,156</u>         | <u>22,555</u>         |
|   | <u>61,011</u>         | <u>61,769</u>         |

21 REMUNERATION OF CHIEF EXECUTIVE OFFICER ('CEO') AND DIRECTORS

The aggregate remuneration paid to the Directors of the Bank during the financial year is as follows:

|                              | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|------------------------------|-----------------------|-----------------------|
| Executive Directors and CEO: |                       |                       |
| Salaries                     | 1,496                 | 1,496                 |
| Bonus                        | 1,755                 | 1,800                 |
| Defined contribution plan    | 951                   | 788                   |
| Others                       | 2,391                 | 1,340                 |
| Non-Executive Directors:     |                       |                       |
| Fees                         | 391                   | 301                   |
|                              | <u>6,984</u>          | <u>5,725</u>          |



|             |   |
|-------------|---|
| Company No. |   |
| 310983      | V |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

21 REMUNERATION OF CHIEF EXECUTIVE OFFICER (“CEO”) AND DIRECTORS (CONTINUED)

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

|  | <u>2015</u><br>No. of<br>Directors | <u>2014</u><br>No. of<br>Directors |
|--|------------------------------------|------------------------------------|
| <u>Executive</u>                           |                                    |                                    |
| RM:  |                                    |                                    |
| 5,400,001 – 5,450,000                      | -                                  | 1                                  |
| 6,550,000 – 6,600,000                      | 1                                  | -                                  |
| <u>Executive/Non-Executive/Independent</u> |                                    |                                    |
| RM:  |                                    |                                    |
| 0 - 50,000                                 | -                                  | 2                                  |
| 50,001 – 100,000                           | 3                                  | 3                                  |
| 100,000 – 150,000                          | 1                                  | -                                  |
|  | <u>          </u>                  | <u>          </u>                  |

22 SHARE-BASED PAYMENT

BAC administers a number of equity compensation plans, with awards being granted predominantly from the 2003 Key Associate Stock Plan. Grants in 2015 included restricted stock units (“RSUs”), which generally vest in three equal annual instalments, beginning one year from the grant date, and awards which will vest subject to the attainment of specified performance goals.

During the year, 37,754 RSUs were granted to certain employees under the Key Associate Stock Plan (2014: 48,092) at weighted-average fair value of USD16.61 per share (2014: USD16.70 per share).

The fair value of RSU was determined based on the price of BAC common stock at the date of grant. RSUs may be settled in cash or in shares of common stock depending on the terms of the applicable award. Certain awards contain cancellation and clawback provisions which permit BAC to cancel or recoup all or a portion of the award under specified circumstances.

The compensation cost for share-based plans is presented in Note 20 to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

23 (ALLOWANCES)/WRITE BACK OF IMPAIRMENT LOSSES

|  | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|--|-----------------------|-----------------------|
| <u>Allowance for loans, advances and financing</u> |                       |                       |
| Individual assessment allowance:                   |                       |                       |
| - made during the financial year                   | -                     | (52)                  |
| - written back during the financial year           | 122                   | 678                   |
| Collective assessment allowance:                   |                       |                       |
| - made during the financial year                   | (849)                 | (847)                 |
| Bad debts on loans, advances and financing:        |                       |                       |
| - recovered  | 70                    | 18                    |
| - written off                                      | -                     | (709)                 |
|  | <u>(657)</u>          | <u>(912)</u>          |

24 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

| <u>Related parties</u>   | <u>Relationship</u>                    |
|--|--|
| Bank of America Corporation                                    | Ultimate holding company               |
| BankAmerica International Financial Corporation                | Immediate holding company              |
| Bank of America National Association<br>- New York Branch      | Branch of the ultimate holding company |
| Bank of America National Association<br>- Charlotte Branch     | Branch of the ultimate holding company |
| Bank of America National Association<br>- San Francisco Branch | Branch of the ultimate holding company |
| Bank of America National Association<br>- Labuan Branch        | Branch of the ultimate holding company |
| Bank of America National Association<br>- Singapore Branch     | Branch of the ultimate holding company |
| Bank of America National Association<br>- London Branch        | Branch of the ultimate holding company |
| Bank of America National Association<br>- Canada Branch        | Branch of the ultimate holding company |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties and relationships (continued)

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

| <u>Related parties</u>  | <u>Relationship</u>  |
|---|--|
| Bank of America National Association<br>- Bangkok Branch                          | Branch of the ultimate holding company   |
| Bank of America National Association<br>- Jakarta Branch                          | Branch of the ultimate holding company   |
| Bank of America National Association<br>- Mumbai Branch                           | Branch of the ultimate holding company   |
| Bank of America National Association<br>- Sydney Branch                           | Branch of the ultimate holding company   |
| Bank of America National Association<br>- Tokyo Branch                            | Branch of the ultimate holding company   |
| Bank of America National Association<br>- Hong Kong Branch                        | Branch of the ultimate holding company   |
| Smith Zain (Penang) Sdn. Bhd.   | Subsidiary of the ultimate holding company   |
| Merrill Lynch Malaysian Advisory Sdn. Bhd.  | Subsidiary of the ultimate holding company   |
| Merrill Lynch International   | Subsidiary of the ultimate holding company   |
| Merrill Lynch International Bank Limited  | Subsidiary of the ultimate holding company   |
| Merrill Lynch (Asia Pacific) Limited  | Subsidiary of the ultimate holding company   |
| Key management personnel  | The key management personnel<br>of the Bank consists of: <ul style="list-style-type: none"> <li>(i) All Directors of the Bank</li> <li>(ii) Senior management of the Bank</li> </ul>   |
| Related parties of key management<br>personnel (deemed as related to the<br>Bank) | <ul style="list-style-type: none"> <li>(i) Close family members and dependents of key management personnel</li> <li>(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members</li> </ul> |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

(b) Significant related party balances and transactions

A number of banking transactions are entered into with related parties in the normal course of business. The volume of related party transactions, outstanding balances at the financial year end, and the corresponding expense and income for the financial year are as follows:

|  | <u>Key<br/>management<br/>personnel</u><br>RM'000 | <u>Other<br/>related<br/>companies</u><br>RM'000 |
|--|---|--|
| <u>2015</u>  |   |  |
| <u>Income</u>  |   |  |
| Interest on deposits and placements<br>with other financial institutions         | -   | 215  |
| Interest on loans, advances and financing  | 9   | -  |
| Management fee income  | -   | 2,666  |
| Other fee income   | -   | 2,620  |
|  | <u>9</u>  | <u>5,501</u>                                     |
| <u>Expenditure</u>   |   |  |
| Interest on deposits and placements<br>of banks and other financial institutions | -   | 35   |
| Interest on deposits from customers  | -   | 725  |
| Shared administrative support expenses   | -   | 14,983   |
|  | <u>-</u>  | <u>15,743</u>                                    |
| <u>Amount due from</u>   |   |  |
| Deposits and placements  | -   | 103,060  |
| Loans, advances and financing  | 304   | -  |
| Interest receivable  | -   | 2  |
| Other receivables  | -   | 3,589  |
|  | <u>304</u>  | <u>106,651</u>                                   |
| <u>Amount due to</u>   |   |  |
| Deposits and placements  | -   | 40,525   |
| Interest payable   | -   | 42   |
| Other payables   | -   | 1,026  |
|  | <u>-</u>  | <u>41,593</u>                                    |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

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

|   | <u>Key<br/>management<br/>personnel</u><br>RM'000 | <u>Other<br/>related<br/>companies</u><br>RM'000 |
|---|---|--|
| <u>2014</u>   |   |  |
| <u>Income</u>   |   |  |
| Interest on deposits and placements<br>with other financial institutions            | -   | 214  |
| Interest on loans, advances and financing   | 10  | 10   |
| Management fee income   | -   | 2,311  |
| Other fee income  | -   | 4,052  |
|   | <u>10</u>   | <u>6,587</u>                                     |
| <u>Expenditure</u>  |   |  |
| Interest on deposits and placements<br>of banks and other financial institutions    | -   | 304  |
| Interest on deposits from customers   | -   | 490  |
| Shared administrative support expenses  | -   | 13,980   |
|   | <u>-</u>  | <u>14,774</u>                                    |
| <u>Amount due from</u>  |   |  |
| Deposits and placements   | -   | 300,365  |
| Loans, advances and financing   | 333   | -  |
| Interest receivable   | -   | 4  |
| Other receivables   | -   | 14,300   |
|   | <u>333</u>  | <u>314,669</u>                                   |
| <u>Amount due to</u>  |   |  |
| Deposits and placements   | -   | 58,758   |
| Interest payable  | -   | 21   |
| Other payables  | -   | 451  |
|   | <u>-</u>  | <u>59,230</u>                                    |
| <u>Approved limit</u>   |   |  |
|   | <u>2015</u>                                       | <u>2014</u>                                      |
|   | RM'000  | RM'000   |
| The approved limit on loans, advances and financing<br>for key management personnel | <u>500</u>  | <u>500</u>                                       |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The aggregate remuneration paid to key management personnel are as follows:

|                                 | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---------------------------------|-----------------------|-----------------------|
| Short-term employee benefits:   |                       |                       |
| Fees                            | 391                   | 301                   |
| Salaries and other remuneration | 9,044                 | 7,957                 |
|                                 | <u>9,435</u>          | <u>8,258</u>          |

The above remuneration includes Directors remuneration as disclosed in Note 21 to the financial statements.

25 TAXATION

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| Malaysian income tax:                   |                       |                       |
| Current year                            | 13,850                | 4,883                 |
| Under provision of prior years taxation | 727                   | 1,628                 |
| Deferred taxation (Note 8)              | (353)                 | (347)                 |
| Tax charge for the financial year       | <u>14,224</u>         | <u>6,164</u>          |

Reconciliation between tax charge and the Malaysian tax rate is as follows:

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| Profit before taxation                              | <u>48,415</u>         | <u>13,962</u>         |
| Tax calculated at rate of 25% (2014: 25%)           | 12,104                | 3,490                 |
| Expenses not deductible for tax purposes            | 1,162                 | 862                   |
| Under provision of deferred taxation in prior years | 176                   | 184                   |
| Under provision of prior years' taxation            | 727                   | 1,628                 |
| Effect of changes in tax rate                       | 55                    | -                     |
| Tax expense for the financial year                  | <u>14,224</u>         | <u>6,164</u>          |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

26 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the followings:

| <u>Description</u>   | <u>2015</u><br>Principal<br><u>amount</u><br>RM'000 | <u>2014</u><br>Principal<br><u>amount</u><br>RM'000 |
|--|---|---|
| Direct credit substitutes  | 69,374  | 100,350   |
| Transaction related contingent items   | 114,602   | 46,977  |
| Short-term self liquidating trade related contingencies  | 401   | 590   |
| Foreign exchange related contracts:  |   |   |
| One year or less   | 11,098,999  | 3,129,902   |
| Over one year to five years  | 136,196   | 80,852  |
| Interest/profit rate related contracts:  |   |   |
| One year or less   | 6,378,230   | 5,007,840   |
| Over one year to five years  | 9,397,632   | 7,882,760   |
| Over five years  | 187,500   | 54,000  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year   | 520,217   | 426,774   |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 8   | 30  |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,131   | 1,013   |
| Total  | <u>27,904,290</u>                                   | <u>16,731,088</u>                                   |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

27 EARNINGS PER SHARE

The earnings per share has been calculated based on net profit for the financial year of RM34,190,616 (2014: RM7,797,357) and the weighted average number of ordinary shares in issue during the financial year of RM135,800,000 (2014: RM135,800,000).

28 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| <u>Core Equity I ("CET I") Capital and Tier I Capital</u>               |                       |                       |
| Share capital   | 135,800               | 135,800               |
| Retained profits  | 270,034               | 245,728               |
| Other disclosed reserves  |                       |                       |
| - Statutory reserve   | 141,446               | 132,898               |
| Unrealised gains and losses on available-for-sale financial instruments | 1,047                 | 1,033                 |
|   | <u>548,327</u>        | <u>515,459</u>        |
| Less: regulatory adjustments  |                       |                       |
| - Deferred tax assets   | (993)                 | (626)                 |
| - 55% of cumulative gains of available-for-sale financial instruments   | (576)                 | (569)                 |
| Total CET I and Tier I capital  | <u>546,758</u>        | <u>514,264</u>        |
| <u>Tier-II Capital</u>  |                       |                       |
| Collective assessment allowance *                                       | 2,000                 | 1,157                 |
| Regulatory reserve  | 1,337                 | -                     |
| Total Tier II capital   | <u>550,095</u>        | <u>515,421</u>        |
| Total capital   | <u><u>550,095</u></u> | <u><u>515,421</u></u> |

\* Excludes collective assessment allowance on impaired loans restricted from Tier-II Capital of the Bank of RM24,468 (2014: RM18,909).

Capital ratios

|                      | <u>2015</u>           | <u>2014</u>           |
|----------------------|-----------------------|-----------------------|
| CET I capital ratio  | 31.276%               | 37.532%               |
| Tier I capital ratio | 31.276%               | 37.532%               |
| Total capital ratio  | <u><u>31.467%</u></u> | <u><u>37.617%</u></u> |



## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 28 CAPITAL ADEQUACY (CONTINUED)

Effective from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel-II Risk-Weighted Assets) guidelines issued on 28 November 2012 and 27 June 2013. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

Detailed disclosures pursuant to the requirements of BNM Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), in addition to those set out in Notes 28(a), (b), and (c) to the financial statements, have been made in a separate Pillar 3 Disclosures Report.

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

|                        | 31.12.2015                 |                                     | 31.12.2014                 |                                     |
|------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|                        | <u>Principal</u><br>RM'000 | <u>Risk-<br/>weighted</u><br>RM'000 | <u>Principal</u><br>RM'000 | <u>Risk-<br/>weighted</u><br>RM'000 |
| (i) Credit risk        |                            |                                     |                            |                                     |
| 0%                     | 1,169,169                  | -                                   | 879,774                    | -                                   |
| 20%                    | 411,814                    | 82,363                              | 912,010                    | 182,402                             |
| 35%                    | 205                        | 72                                  | 317                        | 111                                 |
| 50%                    | 341,627                    | 170,814                             | 239,120                    | 119,560                             |
| 75%                    | 219                        | 164                                 | 220                        | 165                                 |
| 100%                   | 643,679                    | 643,679                             | 450,430                    | 450,430                             |
|                        | <u>2,566,713</u>           | <u>897,092</u>                      | <u>2,481,871</u>           | <u>752,668</u>                      |
| (ii) Market risk       | -                          | 685,374                             | -                          | 487,299                             |
| (iii) Operational risk | -                          | 165,725                             | -                          | 130,218                             |
|                        | <u>2,566,713</u>           | <u>1,748,191</u>                    | <u>2,481,871</u>           | <u>1,370,185</u>                    |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

| 2015<br><u>Exposure class</u>  | <u>Gross<br/>Exposures</u><br>RM'000 | <u>Net<br/>exposures</u><br>RM'000  | <u>Risk<br/>weighted<br/>assets</u><br>RM'000 | <u>Capital<br/>requirements</u><br>RM'000 |
|--|--------------------------------------|-------------------------------------|---|---|
| <u>Credit risk</u>   |                                      |                                     |   |   |
| On-balance sheet exposures:  |                                      |                                     |   |   |
| Sovereigns/central banks   | 1,168,065                            | 1,168,065                           | -   | -   |
| Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs") | 315,372                              | 315,372                             | 63,075  | 5,046                                     |
| Insurance cos, securities firms & fund managers  | 919                                  | 919                                 | 919   | 74  |
| Corporates   | 368,784                              | 368,784                             | 368,784                                       | 29,503                                    |
| Residential mortgages  | 455                                  | 455                                 | 253   | 20  |
| Other assets   | 12,700                               | 12,700                              | 11,596  | 928                                       |
| Defaulted exposures  | 58                                   | 58                                  | 54  | 4   |
| <b>Total on-balance sheet exposures</b>  | <b>1,866,353</b>                     | <b>1,866,353</b>                    | <b>444,681</b>                                | <b>35,575</b>                             |
| Off-balance sheet exposures:   |                                      |                                     |   |   |
| OTC derivatives  | 469,558                              | 469,558                             | 234,966                                       | 18,797                                    |
| Off-balance sheet exposures other than OTC derivatives or credit derivatives                   | 230,802                              | 230,802                             | 217,445                                       | 17,396                                    |
| <b>Total off-balance sheet exposures</b>   | <b>700,360</b>                       | <b>700,360</b>                      | <b>452,411</b>                                | <b>36,193</b>                             |
| <b>Total on and off-balance sheet exposures</b>  | <b>2,566,713</b>                     | <b>2,566,713</b>                    | <b>897,092</b>                                | <b>71,768</b>                             |
| <u>Market risk</u>   |                                      |                                     |   |   |
|  | <u>Long<br/>position</u><br>RM'000   | <u>Short<br/>position</u><br>RM'000 |   |   |
| Foreign currency risk  | 253,556                              | -                                   | 253,556                                       | 20,284                                    |
| Interest rate risk   |                                      |                                     | 431,818                                       | 34,545                                    |
| <b>Total market risk exposure</b>  |                                      |                                     | <b>685,374</b>                                | <b>54,829</b>                             |
| <u>Operational risk</u>  |                                      |                                     | 165,725                                       | 13,258                                    |
| <b>Total RWA and capital Requirements</b>  |                                      |                                     | <b>1,748,191</b>                              | <b>139,855</b>                            |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

| 2014<br><u>Exposure class</u>   | <u>Gross<br/>Exposures</u><br>RM'000 | <u>Net<br/>exposures</u><br>RM'000  | <u>Risk<br/>weighted<br/>assets</u><br>RM'000 | <u>Capital<br/>requirements</u><br>RM'000 |
|---|--------------------------------------|-------------------------------------|---|---|
| <u>Credit risk</u>  |                                      |                                     |   |   |
| On-balance sheet exposures:   |                                      |                                     |   |   |
| Sovereigns/central banks  | 876,462                              | 876,462                             | -   | -   |
| Banks, Development Financial<br>Institutions ("DFIs") and<br>Multilateral Development<br>Banks ("MDBs") | 779,375                              | 779,375                             | 155,875                                       | 12,470                                    |
| Insurance cos, securities firms &<br>fund managers  | 16,420                               | 16,420                              | 16,420  | 1,314                                     |
| Corporates  | 219,027                              | 219,027                             | 219,027                                       | 17,522                                    |
| Residential mortgages   | 528                                  | 528                                 | 271   | 22  |
| Other assets  | 27,996                               | 27,996                              | 24,775  | 1,982                                     |
| Defaulted exposures   | 72                                   | 72                                  | 58  | 5   |
| <b>Total on-balance sheet exposures</b>   | <b>1,919,880</b>                     | <b>1,919,880</b>                    | <b>416,426</b>                                | <b>33,315</b>                             |
| Off-balance sheet exposures:  |                                      |                                     |   |   |
| OTC derivatives   | 352,989                              | 352,989                             | 146,066                                       | 11,685                                    |
| Off-balance sheet exposures<br>other than OTC derivatives or<br>credit derivatives                      | 209,327                              | 209,002                             | 190,176                                       | 15,214                                    |
| <b>Total off-balance sheet exposures</b>  | <b>562,316</b>                       | <b>561,991</b>                      | <b>336,242</b>                                | <b>26,899</b>                             |
| <b>Total on and off-balance sheet<br/>exposures</b>   | <b>2,482,196</b>                     | <b>2,481,871</b>                    | <b>752,668</b>                                | <b>60,214</b>                             |
| <u>Market risk</u>  |                                      |                                     |   |   |
|   | <u>Long<br/>position</u><br>RM'000   | <u>Short<br/>position</u><br>RM'000 |   |   |
| Foreign currency risk   | 2,497                                | 31,970                              | 31,970  | 2,558                                     |
| Interest rate risk  |                                      |                                     | 455,329                                       | 36,426                                    |
| <b>Total market risk exposure</b>   |                                      |                                     | <b>487,299</b>                                | <b>38,984</b>                             |
| <u>Operational risk</u>   |                                      |                                     | 130,218                                       | 10,417                                    |
| <b>Total RWA and capital<br/>requirements</b>   |                                      |                                     | <b>1,370,185</b>                              | <b>109,615</b>                            |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

| Exposures after netting and credit risk mitigation (RM'000) |                              |  |   |                |                          |                          |                 |          |  |                                  |
|---|------------------------------|--|---|----------------|--------------------------|--------------------------|-----------------|----------|--|----------------------------------|
| 2015<br>Risk weights  | Sovereigns/<br>Central banks | Insurance<br>cos,<br>securities<br>firms &<br>fund<br>managers | Banks,<br>Development<br>Financial<br>Institutions<br>and<br>MDBs | Corporates     | Residential<br>mortgages | Higher<br>risk<br>assets | Other<br>assets | Equity   | Total<br>exposures<br>after<br>netting<br>and<br>credit risk<br>mitigation | Total risk<br>weighted<br>assets |
| 0%  | 1,168,065                    | -  | -   | -              | -                        | -                        | 1,104           | -        | 1,169,169  | -                                |
| 20%   | -                            | -  | 411,814   | -              | -                        | -                        | -               | -        | 411,814  | 82,363                           |
| 35%   | -                            | -  | -   | -              | 205                      | -                        | -               | -        | 205  | 72                               |
| 50%   | -                            | 24   | 341,561   | -              | 42                       | -                        | -               | -        | 341,627  | 170,814                          |
| 75%   | -                            | -  | -   | -              | 219                      | -                        | -               | -        | 219  | 164                              |
| 100%  | -                            | 35,118   | 46  | 596,868        | 51                       | -                        | 11,596          | -        | 643,679  | 643,679                          |
| <b>Total<br/>exposures</b>                                  | <b>1,168,065</b>             | <b>35,142</b>  | <b>753,421</b>  | <b>596,868</b> | <b>517</b>               | <b>-</b>                 | <b>12,700</b>   | <b>-</b> | <b>2,566,713</b>   | <b>897,092</b>                   |
| Risk weighted<br>assets by<br>exposure                      | -                            | 35,130   | 253,190   | 596,868        | 308                      | -                        | 11,596          | -        | -  | 897,092                          |
| Average risk<br>weight                                      | -                            | 99.966%  | 33.605%   | 100.000%       | 59.574%                  | -                        | 91.307%         | -        | -  | 34.951%                          |
| Deduction<br>from capital<br>base                           | -                            | -  | -   | -              | -                        | -                        | -               | -        | -  | -                                |

Company No.

310983

V

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 28 CAPITAL ADEQUACY (CONTINUED)

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

| Exposures after netting and credit risk mitigation (RM'000) |                              |  |   |            |                          |                          |                 |        |  |                                  |
|---|------------------------------|--|---|------------|--------------------------|--------------------------|-----------------|--------|--|----------------------------------|
| 2014<br>Risk weights  | Sovereigns/<br>Central banks | Insurance<br>cos,<br>securities<br>firms &<br>fund<br>managers | Banks,<br>Development<br>Financial<br>Institutions<br>and<br>MDBs | Corporates | Residential<br>mortgages | Higher<br>risk<br>assets | Other<br>assets | Equity | Total<br>exposures<br>after<br>netting<br>and<br>credit risk<br>mitigation | Total risk<br>weighted<br>assets |
| 0%  | 876,553                      | -  | -   | -          | -                        | -                        | 3,221           | -      | 879,774  | -                                |
| 20%   | -                            | -  | 912,010   | -          | -                        | -                        | -               | -      | 912,010  | 182,402                          |
| 35%   | -                            | -  | -   | -          | 317                      | -                        | -               | -      | 317  | 111                              |
| 50%   | -                            | -  | 239,090   | -          | 30                       | -                        | -               | -      | 239,120  | 119,560                          |
| 75%   | -                            | -  | -   | -          | 220                      | -                        | -               | -      | 220  | 165                              |
| 100%  | -                            | 19,604   | -   | 406,003    | 48                       | -                        | 24,775          | -      | 450,430  | 450,430                          |
| Total<br>exposures  | 876,553                      | 19,604   | 1,151,100   | 406,003    | 615                      | -                        | 27,996          | -      | 2,481,871  | 752,668                          |
| Risk weighted<br>assets by<br>exposure                      | -                            | 19,604   | 301,947   | 406,003    | 339                      | -                        | 24,775          | -      | -  | 752,668                          |
| Average risk<br>weight                                      | -                            | 100.000%   | 26.231%   | 100.000%   | 55.122%                  | -                        | 88.495%         | -      | -  | 30.327%                          |
| Deduction<br>from capital<br>base                           | -                            | -  | -   | -          | -                        | -                        | -               | -      | -  | -                                |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

| 2015<br><u>Description</u>   | <u>Principal<br/>amount</u><br>RM'000 | <u>Positive<br/>fair value<br/>of<br/>derivative<br/>contracts</u><br>RM'000 | <u>Credit<br/>equivalent<br/>amount*</u><br>RM'000 | <u>Risk<br/>weighted<br/>assets</u><br>RM'000 |
|--|---------------------------------------|--|--|---|
| Direct credit substitutes  | 69,374                                | -  | 69,374   | 60,910  |
| Transaction related contingent items   | 114,602                               | -  | 57,301   | 52,410  |
| Short term self liquidating trade related contingencies  | 401                                   | -  | 80   | 80  |
| Foreign exchange related contracts   |                                       |  |  |   |
| One year or less   | 11,098,999                            | 139,561  | 231,447  | 117,459                                       |
| Over one year to five years  | 136,196                               | 20,222   | 27,030   | 27,030  |
| Interest/profit related contracts  |                                       |  |  |   |
| One year or less   | 6,378,230                             | 30,612   | 38,003   | 18,556  |
| Over one year to five years  | 9,397,632                             | (1,377)  | 157,379  | 64,315  |
| Over five years  | 187,500                               | 2,251  | 15,699   | 7,606   |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year   | 520,217                               | -  | 104,043  | 104,043                                       |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 8                                     | -  | 4  | 2   |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,131                                 | -  | -  | -   |
| <b>Total</b>   | <b>27,904,290</b>                     | <b>191,269</b>   | <b>700,360</b>                                     | <b>452,411</b>                                |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

| 2014<br><u>Description</u>   | <u>Principal<br/>amount</u><br>RM'000 | <u>Positive<br/>fair value<br/>of<br/>derivative<br/>contracts</u><br>RM'000 | <u>Credit<br/>equivalent<br/>amount*</u><br>RM'000 | <u>Risk<br/>weighted<br/>assets</u><br>RM'000 |
|--|---------------------------------------|--|--|---|
| Direct credit substitutes  | 100,350                               | -  | 100,350  | 86,982  |
| Transaction related contingent items   | 46,977                                | -  | 23,489   | 18,222  |
| Short term self liquidating trade related contingencies  | 590                                   | -  | 118  | 118   |
| Foreign exchange related contracts   |                                       |  |  |   |
| One year or less   | 3,129,902                             | 70,570   | 120,492  | 53,649  |
| Over one year to five years  | 80,852                                | 2,716  | 7,053  | 4,990   |
| Interest/profit related contracts  |                                       |  |  |   |
| One year or less   | 5,007,840                             | 5,363  | 16,115   | 6,549   |
| Over one year to five years  | 7,882,760                             | 11,718   | 203,644  | 78,744  |
| Over five years  | 54,000                                | 825  | 5,685  | 2,134   |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year   | 426,774                               | -  | 85,355   | 84,845  |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year  | 30                                    | -  | 15   | 9   |
| Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,013                                 | -  | -  | -   |
| <b>Total</b>   | <b>16,731,088</b>                     | <b>91,192</b>  | <b>562,316</b>                                     | <b>336,242</b>                                |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

28 **CAPITAL ADEQUACY (CONTINUED)**

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

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

Nature of commitments and contingencies

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

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

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

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

Interest/profit related contracts are agreements between two counterparties to exchange periodic interest payments, calculated at agreed interest/profit rates, in the same or different currencies, for a specified period of time.



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

#### 29 USE OF FINANCIAL INSTRUMENTS

##### A Financial risk management objectives and policies

The financial risk management objectives and policies of Bank of America Malaysia Berhad ("BAMB") are managed by the various risk committees within BAMB, and are guided by the Risk Framework of its ultimate holding company, Bank of America Corporation ("BAC").

##### Market risk management

Market risk is the risk that value of assets and liabilities or revenues will be adversely affected by changes in market conditions.

Market risk is inherent in BAMB's operations and arises from both trading and non-trading positions. Trading exposures represent positions taken in a wide range of financial instruments and markets which expose BAMB to various risks, such as interest rate and foreign exchange. BAMB manages these risks by using trading strategies and other hedging actions which encompass a variety of financial instruments in both the cash and derivatives markets. Non-trading exposures arise from its Corporate Treasury activities, as part of International Treasury, as a consequence of the mismatch of assets and liabilities in the banking book. Corporate Treasury is also exposed to market risk as a consequence of its use of derivatives to mitigate the risks associated from this mismatch.

BAMB uses Value-At-Risk (VaR) as one key risk measure to evaluate the risks in its trading activities. VaR represents the potential market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level. It reflects the volatility of the positions in the portfolio and how strongly the risks are correlated. VaR is subject to trading limits within an individual business and all limit excesses are communicated to senior management for review.

BAMB's VaR is based on its own internal VaR model. It is a Historical Simulation based model and uses 3 years of historical market data at the 99% confidence level. The VaR model is designed to take into account various market risk factors such as interest rate, spreads, equity price, foreign exchange rate, commodity price and volatility.

In order to supplement the VaR measure, BAMB also uses stress testing to estimate the value change in the trading portfolio that may result from extreme, though plausible, market movements. Within BAMB, stress tests are run for both historical and hypothetical scenarios and the results are presented to senior management as part of the regular reporting process.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (continued)

Credit risk management

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its obligations.

BAC manages credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other supports given current events, conditions and expectations. Credit risk management starts with an assessment of the credit risk profile of the borrower or counterparty based on an analysis of their financial position. As part of the overall credit risk assessment of a borrower or counterparty, credit exposures are assigned a risk rating and are subject to approval based on defined credit approval standards. Subsequent to approving credit limits, risk ratings are monitored on an ongoing basis. If necessary, risk ratings are adjusted to reflect changes in the financial condition, cash flow or financial situation of a borrower or counterparty. The credit underwriting and monitoring of BAMB is in line with BAC's global Core Credit Policy.

Risk Management, as well as supporting units, is responsible for the ongoing management and administration of credit risk at the borrower level by:

- Monitoring borrower risk ratings on an ongoing basis, and if necessary, adjusting to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty; and
- Monitoring performance by updating the customer analysis and reviewing periodically; and
- Monitoring collateral; and
- Undertaking periodic portfolio reviews to ensure management is aware of borrower specific trends for a given portfolio; and
- Recognizing developing problems and promptly bringing them to the attention of management; and
- Taking prompt corrective action on past due and non-accrual loans; and
- Maintaining proper credit file documentation and determining compliance with all loan covenants periodically.

Liquidity risk management

Liquidity risk is the potential inability to meet contractual and contingent financial obligations, on- or off-balance sheet, as they come due. The primary liquidity risk management objective is to develop a strategy and execution plan to ensure BAMB can meet contractual and contingent financial obligations through market cycles and periods of liquidity stress. With the BAMB Liquidity Risk Policy and Contingency Funding Plan, BAMB will ensure that adequate internal governance, controls, systems and risk management practices are employed to manage this liquidity risk.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

A Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

BAMB has in place the following liquidity risk mitigation:

- The liquidity policy and the contingency funding plan are in place and reviewed at least annually; and
- Set limit or guideline structures are in place and monitored daily; and
- Local governance is provided through the Asset and Liability Committee (“ALCO”), which meets on a bi-monthly basis and is provided with regular updates on market conditions and liquidity-related reporting; and
- Liquidity stress tests are conducted regularly, both for regulatory purposes but also for internal stress-testing; and
- Established internal control and reporting processes with support partners are in place.

Operational risk management

BAC defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. BAC classifies Operational Risk using the Basel II Categories and definitions as follows: Internal Fraud, External Fraud, Employment Practices and Workplace Safety, Clients, Products, and Business Practices, Damage to Physical Assets, Business Disruption and System Failures, Execution, Delivery, and Process Management.

BAMB has a robust operational risk management framework. Within BAMB, the Local Management Team (“LMT”) is responsible for monitoring the Malaysia business operations. Each Line of Business (“LOB”), which are represented within the LMT, are responsible for all the risks within the business including operational risks. Operational risk are managed through corporate-wide or LOB specific policies and procedures, controls, and monitoring tools. Examples of these include data reconciliation processes, fraud prevention, transaction processing monitoring and analysis and business recovery planning.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk

The tables below summarise the Bank's exposure to interest rate risks. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. 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.

2015

| <u>Assets</u>                                  | ← Non trading book →               |                                       |  |                                      |                                   | <u>Non-<br/>interest<br/>bearing</u><br>RM'000 | <u>Trading<br/>book</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|------------------------------------|---------------------------------------|--|--------------------------------------|-----------------------------------|--|-----------------------------------|------------------------|
|  | <u>Up to<br/>1 month</u><br>RM'000 | <u>&gt;1 - 3<br/>months</u><br>RM'000 | <u>&gt;3 - 12<br/>months</u><br>RM'000 | <u>&gt;1 - 5<br/>years</u><br>RM'000 | <u>Over<br/>5 years</u><br>RM'000 |  |                                   |                        |
| Cash and short-term funds                      | 1,334,845                          | -                                     | -                                      | -                                    | -                                 | 76,717   | -                                 | 1,411,562              |
| Deposits and placements with banks             | -                                  | 1,008                                 | -                                      | -                                    | -                                 | -  | -                                 | 1,008                  |
| Securities held-for-trading ('HFT')            | -                                  | -                                     | -                                      | -                                    | -                                 | -  | 297,049                           | 297,049                |
| Securities available-for-sale ('AFS')          | -                                  | -                                     | -                                      | -                                    | -                                 | 2,995  | -                                 | 2,995                  |
| Loans, advances and financing                  | 55,230                             | 179,343                               | 39,114                                 | 5,254                                | 1,319                             | (2,108) ^                                      | -                                 | 278,152                |
| Other assets                                   | -                                  | -                                     | -                                      | -                                    | -                                 | 4,506  | 151,773                           | 156,279                |
| Derivative assets                              | -                                  | -                                     | -                                      | -                                    | -                                 | -  | 381,661                           | 381,661                |
| Tax recoverable                                | -                                  | -                                     | -                                      | -                                    | -                                 | 2,287  | -                                 | 2,287                  |
| Deferred taxation                              | -                                  | -                                     | -                                      | -                                    | -                                 | 993  | -                                 | 993                    |
| Statutory deposit with<br>Bank Negara Malaysia | -                                  | -                                     | -                                      | -                                    | -                                 | 7,591  | -                                 | 7,591                  |
| Property, plant and equipment                  | -                                  | -                                     | -                                      | -                                    | -                                 | 4,454  | -                                 | 4,454                  |
| <b>Total assets</b>                            | <b>1,390,075</b>                   | <b>180,351</b>                        | <b>39,114</b>                          | <b>5,254</b>                         | <b>1,319</b>                      | <b>97,435</b>                                  | <b>830,483</b>                    | <b>2,544,031</b>       |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (continued)

2015

|   | ← Non trading book →              |                                   |                                    |                                  |                                  | Non-<br>interest<br>bearing<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000  |
|---|-----------------------------------|-----------------------------------|------------------------------------|----------------------------------|----------------------------------|---------------------------------------|---------------------------|------------------|
|   | Up to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 12<br><u>months</u><br>RM'000 | >1 - 5<br><u>years</u><br>RM'000 | Over<br><u>5 years</u><br>RM'000 |                                       |                           |                  |
| <u>Liabilities</u>  |                                   |                                   |                                    |                                  |                                  |                                       |                           |                  |
| Deposits from customers   | 283,656                           | 6,633                             | 19,691                             | -                                | -                                | 1,083,390                             | -                         | 1,393,370        |
| Deposits and placements<br>of banks and other<br>financial institutions | 16,187                            | -                                 | -                                  | -                                | -                                | 22,206                                | -                         | 38,393           |
| Bills and acceptances payable   | -                                 | -                                 | -                                  | -                                | -                                | 27,156                                | -                         | 27,156           |
| Other liabilities   | -                                 | -                                 | -                                  | -                                | -                                | 11,027                                | 124,224                   | 135,251          |
| Derivative liabilities  | -                                 | -                                 | -                                  | -                                | -                                | -                                     | 400,197                   | 400,197          |
| <b>Total liabilities</b>  | <u>299,843</u>                    | <u>6,633</u>                      | <u>19,691</u>                      | <u>-</u>                         | <u>-</u>                         | <u>1,143,779</u>                      | <u>524,421</u>            | <u>1,994,367</u> |
| On-balance sheet - interest rate gap                                    | <u>1,090,232</u>                  | <u>173,718</u>                    | <u>19,423</u>                      | <u>5,254</u>                     | <u>1,319</u>                     |                                       |                           |                  |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (continued)

2014

|  | ← Non trading book →       |                            |                             |                           |                           | Non-<br>interest<br>bearing<br>RM'000 | Trading<br>book<br>RM'000 | Total<br>RM'000  |
|--|----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|------------------|
|  | Up to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 12<br>months<br>RM'000 | >1 - 5<br>years<br>RM'000 | Over<br>5 years<br>RM'000 |                                       |                           |                  |
| <u>Assets</u>                                  |                            |                            |                             |                           |                           |                                       |                           |                  |
| Cash and short-term funds                      | 1,618,373                  | -                          | -                           | -                         | -                         | 23,931                                | -                         | 1,642,304        |
| Deposits and placements with banks             | -                          | 3,934                      | -                           | -                         | -                         | -                                     | -                         | 3,934            |
| Securities held-for-trading ('HFT')            | -                          | -                          | -                           | -                         | -                         | -                                     | 622,870                   | 622,870          |
| Securities available-for-sale ('AFS')          | -                          | -                          | -                           | -                         | -                         | 2,995                                 | -                         | 2,995            |
| Loans, advances and financing                  | 136,470                    | 18,162                     | 72,233                      | 8,209                     | 1,598                     | (1,381) <sup>^</sup>                  | -                         | 235,291          |
| Other assets                                   | -                          | -                          | -                           | -                         | -                         | 14,785                                | 6,530                     | 21,315           |
| Derivative assets                              | -                          | -                          | -                           | -                         | -                         | -                                     | 91,423                    | 91,423           |
| Tax recoverable                                | -                          | -                          | -                           | -                         | -                         | 2,727                                 | -                         | 2,727            |
| Deferred taxation                              | -                          | -                          | -                           | -                         | -                         | 626                                   | -                         | 626              |
| Statutory deposit with<br>Bank Negara Malaysia | -                          | -                          | -                           | -                         | -                         | 3,000                                 | -                         | 3,000            |
| Property, plant and equipment                  | -                          | -                          | -                           | -                         | -                         | 7,140                                 | -                         | 7,140            |
| <b>Total assets</b>                            | <b>1,754,843</b>           | <b>22,096</b>              | <b>72,233</b>               | <b>8,209</b>              | <b>1,598</b>              | <b>53,823</b>                         | <b>720,823</b>            | <b>2,633,625</b> |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (continued)

2014

| <u>Liabilities</u>  | ← Non trading book →           |                                   |                                    |                                  |                               | <u>Non-interest bearing</u><br>RM'000 | <u>Trading book</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|--------------------------------|-----------------------------------|------------------------------------|----------------------------------|-------------------------------|---------------------------------------|-------------------------------|------------------------|
|   | <u>Up to 1 month</u><br>RM'000 | <u>&gt;1 - 3 months</u><br>RM'000 | <u>&gt;3 - 12 months</u><br>RM'000 | <u>&gt;1 - 5 years</u><br>RM'000 | <u>Over 5 years</u><br>RM'000 |                                       |                               |                        |
| Deposits from customers   | 1,233,802                      | 26,028                            | 1,981                              | -                                | -                             | 626,924                               | -                             | 1,888,735              |
| Deposits and placements of banks and other financial institutions | 10,736                         | 29,597                            | -                                  | -                                | -                             | 35,407                                | -                             | 75,740                 |
| Bills and acceptances payable                                     | -                              | -                                 | -                                  | -                                | -                             | 31,746                                | -                             | 31,746                 |
| Other liabilities   | -                              | -                                 | -                                  | -                                | -                             | 9,233                                 | 51,437                        | 60,670                 |
| Derivative liabilities  | -                              | -                                 | -                                  | -                                | -                             | -                                     | 61,275                        | 61,275                 |
| <b>Total liabilities</b>  | <b>1,244,538</b>               | <b>55,625</b>                     | <b>1,981</b>                       | <b>-</b>                         | <b>-</b>                      | <b>703,310</b>                        | <b>112,712</b>                | <b>2,118,166</b>       |
| On-balance sheet - interest rate gap                              | 510,305                        | (33,529)                          | 70,252                             | 8,209                            | 1,598                         |                                       |                               |                        |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (continued)

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

|   | <u>31.12.2015</u> |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | <u>MYR</u>        | <u>USD</u>        | <u>AUD</u>        |
|   | %                 | %                 | %                 |
| <u>Financial assets</u>   |                   |                   |                   |
| Cash and short-term funds   | 3.05              | 0.23              | -                 |
| Deposits and placements with banks                                | -                 | -                 | 2.25              |
| Securities held-for-trading ('HFT')                               | 4.01              | -                 | -                 |
| Loans, advances and financing                                     | 4.41              | 1.66              | -                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| <u>Financial liabilities</u>                                      |                   |                   |                   |
| Deposits from customers   | 2.50              | 0.05              | 1.90              |
| Deposits and placements of bank and other financial institutions  | 1.50              | -                 | -                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
|   |                   |                   |                   |
|   | <u>31.12.2014</u> |                   |                   |
|   | <u>MYR</u>        | <u>USD</u>        | <u>AUD</u>        |
|   | %                 | %                 | %                 |
| <u>Financial assets</u>   |                   |                   |                   |
| Cash and short-term funds   | 3.25              | 0.05              | 2.23              |
| Deposits and placements with banks                                | -                 | -                 | 2.63              |
| Securities held-for-trading ('HFT')                               | 3.66              | -                 | -                 |
| Loans, advances and financing                                     | 4.53              | 0.80              | -                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> |
| <u>Financial liabilities</u>                                      |                   |                   |                   |
| Deposits from customers   | 2.64              | 0.15              | 1.92              |
| Deposits and placements of banks and other financial institutions | 2.78              | 0.23              | -                 |
|   | <u>          </u> | <u>          </u> | <u>          </u> |



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan draw downs.

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

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Contractual maturity of assets and liabilities

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <b>2015</b>                                    |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <b><u>Assets</u></b>                           |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Cash and short-term funds                      | 1,411,562                        | -                                      | -                                 | -                                 | -                                  | -                               | -  | 1,411,562              |
| Deposits and placements<br>with banks          | -                                | -                                      | 1,008                             | -                                 | -                                  | -                               | -  | 1,008                  |
| Securities held-for-trading ('HFT')            | -                                | 185                                    | 2,017                             | 983                               | 3,757                              | 290,107                         | -  | 297,049                |
| Securities available-for-sale ('AFS')          | -                                | -                                      | -                                 | -                                 | -                                  | 15                              | 2,980                                    | 2,995                  |
| Loans, advances and financing                  | 18,907                           | 36,286                                 | 178,248                           | 37,573                            | 855                                | 6,283                           | -  | 278,152                |
| Statutory deposit with<br>Bank Negara Malaysia | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 7,591                                    | 7,591                  |
| Other assets*                                  | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 164,013                                  | 164,013                |
| Derivative assets                              | 9,561                            | 84,509                                 | 95,883                            | 69,248                            | 82,470                             | 39,990                          | -  | 381,661                |
|  | <u>1,440,030</u>                 | <u>120,980</u>                         | <u>277,156</u>                    | <u>107,804</u>                    | <u>87,082</u>                      | <u>336,395</u>                  | <u>174,584</u>                           | <u>2,544,031</u>       |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <u>2015</u>  |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <u>Liabilities</u>   |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Deposits from customers  | 1,319,535                        | 47,511                                 | 6,633                             | 6,401                             | 13,290                             | -                               | -  | 1,393,370              |
| Deposits and placements of banks<br>and other financial institutions | 23,451                           | 14,942                                 | -                                 | -                                 | -                                  | -                               | -  | 38,393                 |
| Bills and acceptances payable  | 27,156                           | -                                      | -                                 | -                                 | -                                  | -                               | -  | 27,156                 |
| Other liabilities  | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 135,251                                  | 135,251                |
| Derivative liabilities   | 4,923                            | 62,126                                 | 205,302                           | 50,129                            | 53,620                             | 24,097                          | -  | 400,197                |
|  | <u>1,375,065</u>                 | <u>124,579</u>                         | <u>211,935</u>                    | <u>56,530</u>                     | <u>66,910</u>                      | <u>24,097</u>                   | <u>135,251</u>                           | <u>1,994,367</u>       |
| Net liquidity gap  | <u>64,965</u>                    | <u>(3,599)</u>                         | <u>65,221</u>                     | <u>51,274</u>                     | <u>20,172</u>                      | <u>312,298</u>                  | <u>39,333</u>                            |                        |

Company No.

310983

V

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <u>2014</u>                                    |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <u>Assets</u>                                  |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Cash and short-term funds                      | 1,642,304                        | -                                      | -                                 | -                                 | -                                  | -                               | -  | 1,642,304              |
| Deposits and placements<br>with banks          | -                                | -                                      | 3,934                             | -                                 | -                                  | -                               | -  | 3,934                  |
| Securities held-for-trading ('HFT')            | 75,107                           | 9,987                                  | 190,598                           | 7,257                             | 138,446                            | 201,475                         | -  | 622,870                |
| Securities available-for-sale ('AFS')          | -                                | -                                      | -                                 | -                                 | -                                  | 15                              | 2,980                                    | 2,995                  |
| Loans, advances and financing                  | 35,077                           | 101,131                                | 17,934                            | 43,996                            | 27,650                             | 9,503                           | -  | 235,291                |
| Statutory deposit with<br>Bank Negara Malaysia | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 3,000                                    | 3,000                  |
| Other assets*                                  | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 31,808                                   | 31,808                 |
| Derivative assets                              | 780                              | 14,924                                 | 10,991                            | 15,891                            | 33,578                             | 15,259                          | -  | 91,423                 |
|  | <u>1,753,268</u>                 | <u>126,042</u>                         | <u>223,457</u>                    | <u>67,144</u>                     | <u>199,674</u>                     | <u>226,252</u>                  | <u>37,788</u>                            | <u>2,633,625</u>       |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <u>2014</u>  |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <u>Liabilities</u>   |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Deposits from customers  | 1,671,257                        | 189,066                                | 26,028                            | 566                               | 1,818                              | -                               | -  | 1,888,735              |
| Deposits and placements of banks<br>and other financial institutions | 40,948                           | 5,195                                  | 29,597                            | -                                 | -                                  | -                               | -  | 75,740                 |
| Bills and acceptances payable  | 31,746                           | -                                      | -                                 | -                                 | -                                  | -                               | -  | 31,746                 |
| Other liabilities  | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 60,670                                   | 60,670                 |
| Derivative liabilities   | 170                              | 7,316                                  | 4,544                             | 31,566                            | 8,526                              | 9,153                           | -  | 61,275                 |
|  | <u>1,744,121</u>                 | <u>201,577</u>                         | <u>60,169</u>                     | <u>32,132</u>                     | <u>10,344</u>                      | <u>9,153</u>                    | <u>60,670</u>                            | <u>2,118,166</u>       |
| Net liquidity gap  | <u>9,147</u>                     | <u>(75,535)</u>                        | <u>163,288</u>                    | <u>35,012</u>                     | <u>189,330</u>                     | <u>217,099</u>                  | <u>(22,882)</u>                          |                        |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <u>2015</u>  |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <u>Liabilities</u>   |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Deposits from customers  | 1,319,550                        | 47,604                                 | 6,661                             | 6,472                             | 13,541                             | -                               | -  | 1,393,828              |
| Deposits and placements of banks<br>and other financial institutions | 23,451                           | 14,955                                 | -                                 | -                                 | -                                  | -                               | -  | 38,406                 |
| Bills and acceptances payable  | 27,156                           | -                                      | -                                 | -                                 | -                                  | -                               | -  | 27,156                 |
| Other liabilities <sup>^</sup>                                       | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 126,291                                  | 126,291                |
|  | <u>1,370,157</u>                 | <u>62,559</u>                          | <u>6,661</u>                      | <u>6,472</u>                      | <u>13,541</u>                      | <u>-</u>                        | <u>126,291</u>                           | <u>1,585,681</u>       |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities (continued)

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

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | No specific<br><u>maturity</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|--|------------------------|
| <u>2014</u>  |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| <u>Liabilities</u>   |                                  |  |                                   |                                   |                                    |                                 |  |                        |
| Deposits from customers  | 1,671,299                        | 189,359                                | 26,111                            | 570                               | 1,848                              | -                               | -  | 1,889,187              |
| Deposits and placements of banks<br>and other financial institutions | 40,949                           | 5,203                                  | 29,620                            | -                                 | -                                  | -                               | -  | 75,772                 |
| Bills and acceptances payable  | 31,746                           | -                                      | -                                 | -                                 | -                                  | -                               | -  | 31,746                 |
| Other liabilities <sup>^</sup>                                       | -                                | -                                      | -                                 | -                                 | -                                  | -                               | 53,214                                   | 53,214                 |
|  | <u>1,743,994</u>                 | <u>194,562</u>                         | <u>55,731</u>                     | <u>570</u>                        | <u>1,848</u>                       | <u>-</u>                        | <u>53,214</u>                            | <u>2,049,919</u>       |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities (continued)

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

|   | One year<br>or less<br>RM'000 | Over one<br>year<br>RM'000 | Total<br>RM'000 |
|---|-------------------------------|----------------------------|-----------------|
| <u>2015</u>   |                               |                            |                 |
| Direct credit substitutes   | 52,614                        | 16,760                     | 69,374          |
| Transaction related contingent items  | 101,309                       | 13,293                     | 114,602         |
| Short-term self liquidating trade related contingencies   | 401                           | -                          | 401             |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year  | 520,217                       | -                          | 520,217         |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year   | -                             | 8                          | 8               |
| Any commitments that are unconditionally cancelled at any time by the bank, without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,131                         | -                          | 1,131           |
|   | 675,672                       | 30,061                     | 705,733         |
| <u>2014</u>   |                               |                            |                 |
| Direct credit substitutes   | 77,251                        | 23,099                     | 100,350         |
| Transaction related contingent items  | 41,096                        | 5,881                      | 46,977          |
| Short-term self liquidating trade related contingencies   | 590                           | -                          | 590             |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year  | 426,774                       | -                          | 426,774         |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year   | -                             | 30                         | 30              |
| Any commitments that are unconditionally cancelled at any time by the bank, without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | 1,013                         | -                          | 1,013           |
|   | 546,724                       | 29,010                     | 575,734         |



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Derivative financial liabilities

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

|  | Up to<br>1 week<br>RM'000 | >1 week to<br>1 month<br>RM'000 | >1 - 3<br>months<br>RM'000 | >3 - 6<br>months<br>RM'000 | >6 - 12<br>months<br>RM'000 | Over 1<br>year<br>RM'000 | Total<br>RM'000 |
|--|---------------------------|---------------------------------|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------|
| <u>2015</u>                            |                           |                                 |                            |                            |                             |                          |                 |
| <u>Gross-settled derivatives:</u>      |                           |                                 |                            |                            |                             |                          |                 |
| Forwards and swaps                     |                           |                                 |                            |                            |                             |                          |                 |
| Receipts                               | 7,285,857                 | 2,170,995                       | 4,662,610                  | 1,556,275                  | 2,003,215                   | 195,322                  | 17,874,274      |
| Payments                               | (7,279,789)               | (2,178,550)                     | (4,774,603)                | (1,538,347)                | (1,974,975)                 | (178,318)                | (17,924,582)    |
|  | <u>6,068</u>              | <u>(7,555)</u>                  | <u>(111,993)</u>           | <u>17,928</u>              | <u>28,240</u>               | <u>17,004</u>            | <u>(50,308)</u> |
| Interest rate and cross currency swaps |                           |                                 |                            |                            |                             |                          |                 |
| Receipts                               | 7,228                     | 128,835                         | 5,400                      | 7,242                      | 133,245                     | 1,346,386                | 1,628,336       |
| Payments                               | (7,073)                   | (99,103)                        | (5,644)                    | (7,362)                    | (132,198)                   | (1,349,184)              | (1,600,564)     |
|  | <u>155</u>                | <u>29,732</u>                   | <u>(244)</u>               | <u>(120)</u>               | <u>1,047</u>                | <u>(2,798)</u>           | <u>27,772</u>   |
|  | <u>6,223</u>              | <u>22,177</u>                   | <u>(112,237)</u>           | <u>17,808</u>              | <u>29,287</u>               | <u>14,206</u>            | <u>(22,536)</u> |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Derivative financial liabilities (continued)

|  | Up to<br><u>1 week</u><br>RM'000 | >1 week to<br><u>1 month</u><br>RM'000 | >1 - 3<br><u>months</u><br>RM'000 | >3 - 6<br><u>months</u><br>RM'000 | >6 - 12<br><u>months</u><br>RM'000 | Over 1<br><u>year</u><br>RM'000 | Total<br>RM'000 |
|--|----------------------------------|--|-----------------------------------|-----------------------------------|------------------------------------|---------------------------------|-----------------|
| <u>2014</u>                            |                                  |  |                                   |                                   |                                    |                                 |                 |
| <u>Gross-settled derivatives:</u>      |                                  |  |                                   |                                   |                                    |                                 |                 |
| Forwards and swaps                     |                                  |  |                                   |                                   |                                    |                                 |                 |
| Receipts                               | 396,751                          | 488,415                                | 757,814                           | 854,879                           | 590,945                            | 77,983                          | 3,166,787       |
| Payments                               | (395,931)                        | (481,706)                              | (750,267)                         | (867,159)                         | (575,122)                          | (77,916)                        | (3,148,101)     |
|  | <u>820</u>                       | <u>6,709</u>                           | <u>7,547</u>                      | <u>(12,280)</u>                   | <u>15,823</u>                      | <u>67</u>                       | <u>18,686</u>   |
| Interest rate and cross currency swaps |                                  |  |                                   |                                   |                                    |                                 |                 |
| Receipts                               | 5,339                            | 16,685                                 | 100,301                           | 110,181                           | 244,478                            | 752,906                         | 1,229,890       |
| Payments                               | (5,281)                          | (17,161)                               | (99,824)                          | (110,859)                         | (246,276)                          | (747,523)                       | (1,226,924)     |
|  | <u>58</u>                        | <u>(476)</u>                           | <u>477</u>                        | <u>(678)</u>                      | <u>(1,798)</u>                     | <u>5,383</u>                    | <u>2,966</u>    |
|  | <u>878</u>                       | <u>6,233</u>                           | <u>8,024</u>                      | <u>(12,958)</u>                   | <u>14,025</u>                      | <u>5,450</u>                    | <u>21,652</u>   |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Currency risk

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

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

| <u>2015</u>                                 | <u>MYR</u>       | <u>USD</u>     | <u>SGD</u>   | <u>GBP</u> | <u>AUD</u>   | <u>Others</u> | <u>Total</u>     |
|---|------------------|----------------|--------------|------------|--------------|---------------|------------------|
|   | RM'000           | RM'000         | RM'000       | RM'000     | RM'000       | RM'000        | RM'000           |
| <u>Assets</u>                               |                  |                |              |            |              |               |                  |
| Cash and short-term funds                   | 1,158,799        | 227,672        | 2,174        | 419        | 2,883        | 19,615        | 1,411,562        |
| Deposits and placements with banks          | -                | -              | -            | -          | 1,008        | -             | 1,008            |
| Securities held-for-trading ('HFT')         | 297,049          | -              | -            | -          | -            | -             | 297,049          |
| Securities available-for-sale ('AFS')       | 2,995            | -              | -            | -          | -            | -             | 2,995            |
| Loans, advances and financing <sup>^</sup>  | 128,947          | 149,205        | -            | -          | -            | -             | 278,152          |
| Other assets*                               | 2,931            | 152,696        | -            | -          | -            | -             | 155,627          |
| Derivative assets                           | 381,661          | -              | -            | -          | -            | -             | 381,661          |
| Statutory deposit with Bank Negara Malaysia | 7,591            | -              | -            | -          | -            | -             | 7,591            |
|   | <u>1,979,973</u> | <u>529,573</u> | <u>2,174</u> | <u>419</u> | <u>3,891</u> | <u>19,615</u> | <u>2,535,645</u> |

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

\* This represents other receivables.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Currency risk (continued)

| <u>2015</u>  | <u>MYR</u><br>RM'000 | <u>USD</u><br>RM'000 | <u>SGD</u><br>RM'000 | <u>GBP</u><br>RM'000 | <u>AUD</u><br>RM'000 | <u>Others</u><br>RM'000 | <u>Total</u><br>RM'000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|------------------------|
| <u>Liabilities</u>   |                      |                      |                      |                      |                      |                         |                        |
| Deposits from customers  | 847,719              | 525,735              | 1,215                | 49                   | 3,765                | 14,887                  | 1,393,370              |
| Deposits and placements of<br>banks and other financial institutions | 38,393               | -                    | -                    | -                    | -                    | -                       | 38,393                 |
| Bills and acceptances payable  | 18,863               | 8,293                | -                    | -                    | -                    | -                       | 27,156                 |
| Other liabilities <sup>@</sup>                                       | 814                  | 125,420              | -                    | 26                   | 31                   | -                       | 126,291                |
| Derivative liabilities   | 400,197              | -                    | -                    | -                    | -                    | -                       | 400,197                |
|  | <u>1,305,986</u>     | <u>659,448</u>       | <u>1,215</u>         | <u>75</u>            | <u>3,796</u>         | <u>14,887</u>           | <u>1,985,407</u>       |
| <br>Currency gap   | <br><u>673,987</u>   | <br><u>(129,875)</u> | <br><u>959</u>       | <br><u>344</u>       | <br><u>95</u>        | <br><u>4,728</u>        |                        |

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Currency risk (continued)

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

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

| <u>2014</u>                                 | <u>MYR</u><br>RM'000 | <u>USD</u><br>RM'000 | <u>SGD</u><br>RM'000 | <u>GBP</u><br>RM'000 | <u>AUD</u><br>RM'000 | <u>Others</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|------------------------|
| <u>Assets</u>                               |                      |                      |                      |                      |                      |                         |                        |
| Cash and short-term funds                   | 873,182              | 762,853              | 443                  | 351                  | 820                  | 4,655                   | 1,642,304              |
| Deposits and placements with banks          | -                    | -                    | -                    | -                    | 3,934                | -                       | 3,934                  |
| Securities held-for-trading ('HFT')         | 622,870              | -                    | -                    | -                    | -                    | -                       | 622,870                |
| Securities available-for-sale ('AFS')       | 2,995                | -                    | -                    | -                    | -                    | -                       | 2,995                  |
| Loans, advances and financing <sup>^</sup>  | 179,665              | 55,626               | -                    | -                    | -                    | -                       | 235,291                |
| Other assets <sup>*</sup>                   | 2,100                | 18,828               | -                    | -                    | -                    | -                       | 20,928                 |
| Derivative assets                           | 91,423               | -                    | -                    | -                    | -                    | -                       | 91,423                 |
| Statutory deposit with Bank Negara Malaysia | 3,000                | -                    | -                    | -                    | -                    | -                       | 3,000                  |
|   | <u>1,775,235</u>     | <u>837,307</u>       | <u>443</u>           | <u>351</u>           | <u>4,754</u>         | <u>4,655</u>            | <u>2,622,745</u>       |

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

<sup>\*</sup> This represents other receivables.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Currency risk (continued)

| <u>2014</u>  | <u>MYR</u>         | <u>USD</u>           | <u>SGD</u>     | <u>GBP</u>     | <u>AUD</u>     | <u>Others</u>    | <u>Total</u>     |
|--|--------------------|----------------------|----------------|----------------|----------------|------------------|------------------|
|  | RM'000             | RM'000               | RM'000         | RM'000         | RM'000         | RM'000           | RM'000           |
| <u>Liabilities</u>   |                    |                      |                |                |                |                  |                  |
| Deposits from customers  | 853,678            | 1,027,352            | 278            | 111            | 4,467          | 2,849            | 1,888,735        |
| Deposits and placements of<br>banks and other financial institutions | 51,287             | 24,453               | -              | -              | -              | -                | 75,740           |
| Bills and acceptances payable  | 23,900             | 7,846                | -              | -              | -              | -                | 31,746           |
| Other liabilities <sup>@</sup>                                       | 1,263              | 51,932               | 19             | -              | -              | -                | 53,214           |
| Derivative liabilities   | 61,275             | -                    | -              | -              | -              | -                | 61,275           |
|  | <u>991,403</u>     | <u>1,111,583</u>     | <u>297</u>     | <u>111</u>     | <u>4,467</u>   | <u>2,849</u>     | <u>2,110,710</u> |
| <br>Currency gap   | <br><u>783,832</u> | <br><u>(274,276)</u> | <br><u>146</u> | <br><u>240</u> | <br><u>287</u> | <br><u>1,806</u> |                  |

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk

Maximum exposure to credit risk

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

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

|  | <u>Note</u> | <u>2015</u><br>RM'000    | <u>2014</u><br>RM'000    |
|--|-------------|--------------------------|--------------------------|
| <u>Assets</u>                              |             |                          |                          |
| Cash and short-term funds                  | 2           | 1,410,458                | 1,639,082                |
| Deposits and placements with banks         |             | 1,008                    | 3,934                    |
| Securities held-for-trading ('HFT')        | 3           | 297,049                  | 622,870                  |
| Securities available-for-sale ('AFS')      | 4           | 15                       | 15                       |
| Loans, advances and financing <sup>^</sup> | 5           | 278,152                  | 235,291                  |
| Other assets                               |             | 155,627                  | 20,928                   |
| Derivative assets                          | 7           | 381,661                  | 91,423                   |
| Total assets*                              |             | <u>2,523,970</u>         | <u>2,613,543</u>         |
| Commitments and contingencies              |             | <u>27,904,290</u>        | <u>16,731,088</u>        |
| Total credit exposure                      |             | <u><u>30,428,260</u></u> | <u><u>19,344,631</u></u> |

<sup>^</sup> Net of collective impairment and individual impairment of RM2,108,561 (2014: RM1,381,137).

\* Excludes cash in hand, unquoted shares, prepayments and deposits.

Commitments and contingencies are based on the principal amounts in Note 28(c).

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

Collaterals

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

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

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration risk by geographical sectors

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

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

|               | Cash and short-term funds | Deposits and placements with banks | Securities held-for trading ('HFT') | Securities available-for-sale ('AFS') | Loans, advances and financing <sup>^</sup> | Other assets   | Derivative assets | On balance sheet total* | Commitments and contingencies | Total credit exposure |
|---------------|---------------------------|------------------------------------|-------------------------------------|---------------------------------------|--|----------------|-------------------|-------------------------|-------------------------------|-----------------------|
| <u>2015</u>   | RM'000                    | RM'000                             | RM'000                              | RM'000                                | RM'000                                     | RM'000         | RM'000            | RM'000                  | RM'000                        | RM'000                |
| Malaysia      | 1,372,355                 | -                                  | 297,049                             | 15                                    | 278,152                                    | 2,931          | 374,079           | 2,324,581               | 27,515,133                    | 29,839,714            |
| United States | 13,011                    | -                                  | -                                   | -                                     | -  | 152,696        | 7,558             | 173,265                 | 336,592                       | 509,857               |
| India         | 15                        | -                                  | -                                   | -                                     | -  | -              | -                 | 15                      | -                             | 15                    |
| Singapore     | 2,174                     | 1,008                              | -                                   | -                                     | -  | -              | -                 | 3,182                   | 12,892                        | 16,074                |
| Others        | 22,903                    | -                                  | -                                   | -                                     | -  | -              | 24                | 22,927                  | 39,673                        | 62,600                |
|               | <u>1,410,458</u>          | <u>1,008</u>                       | <u>297,049</u>                      | <u>15</u>                             | <u>278,152</u>                             | <u>155,627</u> | <u>381,661</u>    | <u>2,523,970</u>        | <u>27,904,290</u>             | <u>30,428,260</u>     |

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM2,108,561.

\* Excludes cash in hand, unquoted shares, prepayments and deposits.

Commitments and contingencies are based on the principal amounts in Note 28(c).



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration risk by geographical sectors (continued)

|               | Cash and<br>short-term<br>funds | Deposits<br>and<br>placements<br>with banks | Securities<br>held-for<br>trading<br>(‘HFT’) | Securities<br>available-<br>for-sale<br>(‘AFS’) | Loans,<br>advances<br>and<br>financing <sup>^</sup> | Other<br>assets | Derivative<br>assets | On<br>balance<br>sheet total* | Commitments<br>and<br>contingencies | Total<br>credit<br>exposure |
|---------------|---------------------------------|---|--|---|---|-----------------|----------------------|-------------------------------|-------------------------------------|-----------------------------|
| <u>2014</u>   | RM’000                          | RM’000                                      | RM’000                                       | RM’000  | RM’000  | RM’000          | RM’000               | RM’000                        | RM’000                              | RM’000                      |
| Malaysia      | 1,341,622                       | -   | 622,870                                      | 15  | 235,291   | 2,100           | 87,275               | 2,289,173                     | 16,455,035                          | 18,744,208                  |
| United States | 11,882                          | -   | -  | -   | -   | 18,828          | 4,082                | 34,792                        | 144,141                             | 178,933                     |
| India         | 1                               | -   | -  | -   | -   | -               | -                    | 1                             | -                                   | 1                           |
| Singapore     | 280,267                         | 3,934                                       | -  | -   | -   | -               | -                    | 284,201                       | -                                   | 284,201                     |
| Others        | 5,310                           | -   | -  | -   | -   | -               | 66                   | 5,376                         | 131,912                             | 137,288                     |
|               | <u>1,639,082</u>                | <u>3,934</u>                                | <u>622,870</u>                               | <u>15</u>                                       | <u>235,291</u>                                      | <u>20,928</u>   | <u>91,423</u>        | <u>2,613,543</u>              | <u>16,731,088</u>                   | <u>19,344,631</u>           |

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM1,381,137.

\* Excludes cash in hand, unquoted shares, prepayments and deposits.

Commitments and contingencies are based on the principal amounts in Note 28(c).

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)Concentration of risk by economic sectors

|  | Cash<br>and<br>short-term<br>funds | Deposits<br>and<br>placements<br>with banks | Securities<br>held-for-<br>trading<br>(‘HFT’) | Securities<br>available-<br>for-sale<br>(‘AFS’) | Loans and<br>advances <sup>^</sup> | Other<br>assets | Derivative<br>assets | On-balance<br>sheet total* | Commitments<br>and<br>contingencies | Total<br>credit<br>exposure |
|--|------------------------------------|---|---|---|------------------------------------|-----------------|----------------------|----------------------------|-------------------------------------|-----------------------------|
| <u>2015</u>  | RM’000                             | RM’000                                      | RM’000  | RM’000  | RM’000                             | RM’000          | RM’000               | RM’000                     | RM’000                              | RM’000                      |
| Mining and quarrying   | -                                  | -   | -   | -   | 68,355                             | -               | -                    | 68,355                     | 91,000                              | 159,355                     |
| Manufacturing  | -                                  | -   | -   | -   | 114,516                            | -               | 3,823                | 118,339                    | 895,286                             | 1,013,625                   |
| General commerce   | -                                  | -   | -   | -   | 76,220                             | -               | 11                   | 76,231                     | 68,907                              | 145,138                     |
| Education, health and others   | -                                  | -   | -   | -   | 2,983                              | -               | -                    | 2,983                      | 71,460                              | 74,443                      |
| Finance, insurance and<br>business services                                      | 252,659                            | 1,008                                       | -   | -   | 3,971                              | 155,627         | 377,827              | 791,092                    | 26,756,143                          | 27,547,235                  |
| Government and<br>government agencies  | 1,157,799                          | -   | 297,049                                       | 15  | 373                                | -               | -                    | 1,455,236                  | -                                   | 1,455,236                   |
| Construction   | -                                  | -   | -   | -   | 10,002                             | -               | -                    | 10,002                     | 20,355                              | 30,357                      |
| Purchase of residential<br>landed property, securities<br>and transport vehicles | -                                  | -   | -   | -   | 1,631                              | -               | -                    | 1,631                      | 1,131                               | 2,762                       |
| Others   | -                                  | -   | -   | -   | 101                                | -               | -                    | 101                        | 8                                   | 109                         |
|  | <u>1,410,458</u>                   | <u>1,008</u>                                | <u>297,049</u>                                | <u>15</u>                                       | <u>278,152</u>                     | <u>155,627</u>  | <u>381,661</u>       | <u>2,523,970</u>           | <u>27,904,290</u>                   | <u>30,428,260</u>           |

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM2,108,561.

\* Excludes cash in hand, unquoted shares, prepayments and deposits.

Commitments and contingencies are based on the principal amounts in Note 28(c).

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

## 29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)Concentration of risk by economic sectors (continued)

|  | Cash<br>and<br>short-term<br>funds | Deposits<br>and<br>placements<br>with banks | Securities<br>held-for-<br>trading<br>(‘HFT’) | Securities<br>available-<br>for-sale<br>(‘AFS’) | Loans and<br>advances <sup>^</sup> | Other<br>assets | Derivative<br>assets | On-balance<br>sheet total* | Commitments<br>and<br>contingencies | Total<br>credit<br>exposure |
|--|------------------------------------|---|---|---|------------------------------------|-----------------|----------------------|----------------------------|-------------------------------------|-----------------------------|
|  | RM’000                             | RM’000                                      | RM’000  | RM’000  | RM’000                             | RM’000          | RM’000               | RM’000                     | RM’000                              | RM’000                      |
| <u>2014</u>  |                                    |   |   |   |                                    |                 |                      |                            |                                     |                             |
| Mining and quarrying   | -                                  | -   | -   | -   | -                                  | -               | -                    | -                          | 63,200                              | 63,200                      |
| Manufacturing  | -                                  | -   | -   | -   | 122,359                            | -               | 4,419                | 126,778                    | 533,137                             | 659,915                     |
| General commerce   | -                                  | -   | -   | -   | 60,536                             | -               | 149                  | 60,685                     | 75,076                              | 135,761                     |
| Education, health and others   | -                                  | -   | -   | -   | 523                                | -               | -                    | 523                        | 107,818                             | 108,341                     |
| Finance, insurance and<br>business services                                      | 768,911                            | 3,934                                       | -   | -   | 49,287                             | 20,928          | 86,855               | 929,915                    | 15,936,359                          | 16,866,274                  |
| Government and<br>government agencies  | 870,171                            | -   | 622,870                                       | 15  | 547                                | -               | -                    | 1,493,603                  | 455                                 | 1,494,058                   |
| Construction   | -                                  | -   | -   | -   | -                                  | -               | -                    | -                          | 14,000                              | 14,000                      |
| Purchase of residential<br>landed property, securities<br>and transport vehicles | -                                  | -   | -   | -   | 1,979                              | -               | -                    | 1,979                      | 30                                  | 2,009                       |
| Others   | -                                  | -   | -   | -   | 60                                 | -               | -                    | 60                         | 1,013                               | 1,073                       |
|  | <u>1,639,082</u>                   | <u>3,934</u>                                | <u>622,870</u>                                | <u>15</u>                                       | <u>235,291</u>                     | <u>20,928</u>   | <u>91,423</u>        | <u>2,613,543</u>           | <u>16,731,088</u>                   | <u>19,344,631</u>           |

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM1,381,137.

\* Excludes cash in hand, unquoted shares, prepayments and deposits.

Commitments and contingencies are based on the principal amounts in Note 28(c).

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing

Loans, advances and financing are summarised as follows:

|   | <u>2015</u><br>RM'000 | <u>2014</u><br>RM'000 |
|---|-----------------------|-----------------------|
| Neither past due nor impaired                                   | 279,884               | 236,261               |
| Past due but not impaired                                       | 235                   | 133                   |
| Individually impaired   | 141                   | 278                   |
|   | <hr/>                 | <hr/>                 |
| Gross   | 280,260               | 236,672               |
| Less: Allowance for losses on loans, advances<br>and financing: |                       |                       |
| - Individual assessment allowance                               | (83)                  | (205)                 |
| - Collective assessment allowance                               | (2,025)               | (1,176)               |
|   | <hr/>                 | <hr/>                 |
| Net   | <u>278,152</u>        | <u>235,291</u>        |

(a) Gross loans, advances, and financing neither past due nor impaired

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

|                      | <u>Government<br/>&amp;<br/>Government agencies</u> | <u>Large<br/>&amp;<br/>corporate<br/>customers</u> | <u>Staff loans</u> | <u>Mortgages</u> | <u>Total</u>   |
|----------------------|---|--|--------------------|------------------|----------------|
|                      | RM'000  | RM'000   | RM'000             | RM'000           | RM'000         |
| <u>2015</u>          |   |  |                    |                  |                |
| (RR1) – Exceptional  | -   | -  | -                  | -                | -              |
| (RR2) – Excellent    | -   | 109,500  | -                  | -                | 109,500        |
| (RR3) – Strong       | 374   | 25,538   | -                  | -                | 25,912         |
| (RR4) – Good         | -   | 903  | 1,246              | -                | 2,149          |
| (RR5) – Satisfactory | -   | 2,144  | -                  | -                | 2,144          |
| (RR6) – Acceptable   | -   | 72,737   | -                  | 252              | 72,989         |
| (RR7) – Watchlist    | -   | 67,190   | -                  | -                | 67,190         |
| Unrated              | -   | -  | -                  | -                | -              |
|                      | <hr/>   | <hr/>  | <hr/>              | <hr/>            | <hr/>          |
| Total                | <u>374</u>  | <u>278,012</u>                                     | <u>1,246</u>       | <u>252</u>       | <u>279,884</u> |

=

\*RR = Risk Rating

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing (continued)

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

|                      | Government<br>&<br>Government agencies<br>RM'000 | Large<br>corporate<br>customers<br>RM'000 | Staff loans<br>RM'000 | Mortgages<br>RM'000 | Total<br>RM'000 |
|----------------------|--|---|-----------------------|---------------------|-----------------|
| <u>2014</u>          |  |   |                       |                     |                 |
| (RR1) – Exceptional  | -  | -   | -                     | -                   | -               |
| (RR2) – Excellent    | -  | 22,876                                    | -                     | -                   | 22,876          |
| (RR3) – Strong       | 549  | 77,188                                    | -                     | -                   | 77,737          |
| (RR4) – Good         | -  | 66,892                                    | 1,460                 | -                   | 68,352          |
| (RR5) – Satisfactory | -  | -   | -                     | -                   | -               |
| (RR6) – Acceptable   | -  | 66,902                                    | -                     | 394                 | 67,296          |
| Unrated              | -  | -   | -                     | -                   | -               |
|                      | -  | -   | -                     | -                   | -               |
| Total                | 549  | 233,858                                   | 1,460                 | 394                 | 236,261         |

=

\*RR = Risk Rating

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

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

|                            | Corporate<br>RM'000 | Mortgages<br>RM'000 | Total<br>RM'000 |
|----------------------------|---------------------|---------------------|-----------------|
| <u>2015</u>                |                     |                     |                 |
| Past due up to 30 days     | 32                  | 129                 | 161             |
| Past due 30 - 60 days      | -                   | 49                  | 49              |
| Past due 60 - 90 days      | -                   | 25                  | 25              |
| Past due more than 90 days | -                   | -                   | -               |
| Total                      | 32                  | 203                 | 235             |
| <u>2014</u>                |                     |                     |                 |
| Past due up to 30 days     | -                   | 121                 | 121             |
| Past due 30 - 60 days      | -                   | 12                  | 12              |
| Past due 60 - 90 days      | -                   | -                   | -               |
| Past due more than 90 days | -                   | -                   | -               |
| Total                      | -                   | 133                 | 133             |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing (continued)

(c) Loans, advances and financing individually impaired

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

|                            | <u>Mortgages</u><br>RM'000 |
|----------------------------|----------------------------|
| <u>2015</u>                |                            |
| Gross impaired             | 141                        |
| Less: Individual allowance | (83)                       |
| Net impaired               | <u>58</u>                  |
| <br><u>2014</u>            |                            |
| Gross impaired             | 278                        |
| Less: Individual allowance | (205)                      |
| Net impaired               | <u>73</u>                  |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Credit quality of financial assets

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

|  | Malaysian<br>Government<br>Securities<br>("MGS")<br>RM'000 | Malaysian<br>Government<br>Investment<br>Issues<br>RM'000 | Treasury<br>bills<br>RM'000 | Bank<br>Negara<br>bills<br>RM'000 | Unquoted<br>securities<br>RM'000 | Total<br>RM'0 |
|--|--|---|-----------------------------|-----------------------------------|----------------------------------|---------------|
| <u>2015</u>                                  |  |   |                             |                                   |                                  |               |
| <u>Securities available-for-sale ('AFS')</u> |  |   |                             |                                   |                                  |               |
| Sovereign rating (AAA to A-)                 | -  | -   | -                           | -                                 | 15                               | 15            |
| <u>Securities held-for-trading ('HFT')</u>   |  |   |                             |                                   |                                  |               |
| Sovereign rating (AAA to A-)                 | 288,137<br>297,049   | 8,912   | -                           | -                                 | -                                |               |
|  | <u>288,137</u><br>15                                       | <u>8,912</u><br>297,064                                   | <u>-</u>                    | <u>-</u>                          | <u>-</u>                         | <u>-</u>      |
| <u>2014</u>                                  |  |   |                             |                                   |                                  |               |
| <u>Securities available-for-sale ('AFS')</u> |  |   |                             |                                   |                                  |               |
| Sovereign rating (AAA to A-)                 | -  | -   | -                           | -                                 | 15                               | 15            |
| <u>Securities held-for-trading ('HFT')</u>   |  |   |                             |                                   |                                  |               |
| Sovereign rating (AAA to A-)                 | 369,532<br>622,870   | 10,001  | -                           | 243,337                           | -                                |               |
|  | <u>369,532</u><br>243,337                                  | <u>10,001</u><br>15                                       | <u>-</u><br>622,885         | <u>-</u>                          | <u>-</u>                         | <u>-</u>      |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

F Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Bank as at 31 December 2015.

The scenarios used for the interest rate risk sensitivity analysis on banking book are as per Bank Negara Malaysia guidelines on Reporting Requirements for Interest Rate/Rate of Return Risk in the Banking Book issued on 30 October 2013.

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

Interest rate risk sensitivity analysis on banking book

|   | <u>2015</u><br>RM'000       | <u>2014</u><br>RM'000       |
|---|-----------------------------|-----------------------------|
| <u>100 basis points parallel shocks</u> |                             |                             |
| Earnings-at-risk                        | 13,643                      | 11,369                      |
| Economic Value Loss                     | (1,258)                     | (8,512)                     |
|   | <u>                    </u> | <u>                    </u> |

Foreign currency sensitivity analysis

|                                   | <u>2015</u><br>RM'000       | <u>2014</u><br>RM'000       |
|-----------------------------------|-----------------------------|-----------------------------|
| <u>Impact to profit after tax</u> |                             |                             |
| - 1%                              | 2,885                       | 191                         |
| + 1%                              | (2,353)                     | 304                         |
|                                   | <u>                    </u> | <u>                    </u> |



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

#### 30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, as derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2015.

|  | Fair value measurement at end of the financial year using: |                   |                   |                   |
|--|--|-------------------|-------------------|-------------------|
|  | Total<br>RM'000  | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 |
| <u>Financial assets at fair value through profit or loss</u> |  |                   |                   |                   |
| Securities held-for-trading ('HFT')                          |  |                   |                   |                   |
| - Malaysian Government Securities                            | 288,137  | 288,137           | -                 | -                 |
| - Government investment issues                               | 8,912  | 8,912             | -                 | -                 |
| Derivative assets  |  |                   |                   |                   |
| - Foreign exchange forwards and swaps                        | 330,073  | -                 | 330,073           | -                 |
| - Interest rate and cross currency swaps                     | 51,588   | -                 | 51,588            | -                 |
| <u>Securities available-for-sale ('AFS')</u>                 |  |                   |                   |                   |
| Unquoted shares  | 2,980  | -                 | -                 | 2,980             |
| Total assets   | <u>681,690</u>   | <u>297,049</u>    | <u>381,661</u>    | <u>2,980</u>      |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2015 (continued).

|   | <u>Fair value measurement at end of the financial year using:</u> |                |                |                |
|---|---|----------------|----------------|----------------|
|   | <u>Total</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|   | RM'000  | RM'000         | RM'000         | RM'000         |
| <u>Financial liabilities at fair value through profit or loss</u> |   |                |                |                |
| Derivative liabilities  |   |                |                |                |
| - Foreign exchange forwards and swaps                             | 374,932   | -              | 374,932        | -              |
| - Interest rate and cross currency swaps                          | 25,265  | -              | 25,265         | -              |
| Total liabilities   | <u>400,197</u>  | <u>-</u>       | <u>400,197</u> | <u>-</u>       |

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2014.

|  | <u>Fair value measurement at end of the financial year using:</u> |                |                |                |
|--|---|----------------|----------------|----------------|
|  | <u>Total</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|  | RM'000  | RM'000         | RM'000         | RM'000         |
| <u>Financial assets at fair value through profit or loss</u> |   |                |                |                |
| Securities held-for-trading ('HFT')                          |   |                |                |                |
| - Malaysian Government Securities                            | 369,532   | 369,532        | -              | -              |
| - Bank Negara Malaysia Bills                                 | 243,337   | 243,337        | -              | -              |
| - Government investment issues                               | 10,001  | 10,001         | -              | -              |
| Derivative assets  |   |                |                |                |
| - Foreign exchange forwards and swaps                        | 73,517  | -              | 73,517         | -              |
| - Interest rate and cross currency swaps                     | 17,906  | -              | 17,906         | -              |
| <u>Securities available-for-sale ('AFS')</u>                 |   |                |                |                |
| Unquoted shares  | 2,980   | -              | -              | 2,980          |
| Total assets   | <u>717,273</u>  | <u>622,870</u> | <u>91,423</u>  | <u>2,980</u>   |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

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

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2014 (continued).

|   | Fair value measurement at end of the financial year using: |         |         |         |
|---|--|---------|---------|---------|
|   | Total  | Level 1 | Level 2 | Level 3 |
|   | RM'000   | RM'000  | RM'000  | RM'000  |
| <u>Financial liabilities at fair value through profit or loss</u> |  |         |         |         |
| Derivative liabilities  |  |         |         |         |
| - Foreign exchange forwards and swaps                             | 49,039   | -       | 49,039  | -       |
| - Interest rate and cross currency swaps                          | 12,236   | -       | 12,236  | -       |
| Total liabilities   | 61,275   | -       | 61,275  | -       |

There were no transfers between levels 1 and 2 during the year.

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Malaysian Government Securities and Bank Negara Bills classified as trading securities.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments in Level 3

There were no movement in Level 3 instruments during the financial year ended 31 December 2015 and 31 December 2014.

There were no gains or losses from Level 3 instruments recognised in profit or loss the financial year ended 31 December 2015 and 31 December 2014.

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs by the Bank of asset recognised at fair value and classified as Level 3 with the range of values used for those significant unobservable inputs.

|  | Fair value at<br><u>31.12.2015</u><br>RM'000 | Valuation<br><u>technique</u><br>RM'000 | Significant<br>unobservable<br><u>inputs</u><br>RM'000 | Reasonable<br>possible<br><u>shift</u><br>RM'000 |
|--|--|---|--|--|
| <u>Securities Available-for-Sale ('AFS')</u> |  |   |  |  |
| Unquoted Shares                              | RM2,980                                      | Net tangible<br>asset                   | Net tangible<br>asset                                  | +/- 5%   |
|  | Fair value at<br><u>31.12.2014</u><br>RM'000 | Valuation<br><u>technique</u><br>RM'000 | Significant<br>unobservable<br><u>inputs</u><br>RM'000 | Reasonable<br>possible<br><u>shift</u><br>RM'000 |
| <u>Securities Available-for-Sale ('AFS')</u> |  |   |  |  |
| Unquoted Shares                              | RM2,980                                      | Net tangible<br>asset                   | Net tangible<br>asset                                  | +/- 5%   |

If the Net Tangible Asset had been 5% higher/lower, with all other variable held constant, the Bank's Other Comprehensive Income would have been RM498,216 (2014: RM182,447) higher and RM235,038 (2014: RM47,819) lower respectively.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments in Level 3 (continued)

Financial instruments not measured at fair value

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value as at 31 December 2015, but for which fair value is disclosed.

|   | <u>Carrying<br/>value</u><br>RM'000 | <u>Level 1</u><br>RM'000 | <u>Level 2</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|-------------------------------------|--------------------------|--------------------------|------------------------|
| <u>Financial assets</u>                         |                                     |                          |                          |                        |
| Cash and short-term funds                       | 1,411,562                           | 1,411,562                | -                        | 1,411,562              |
| Deposits and placement with banks               | 1,008                               | 1,008                    | -                        | 1,008                  |
| Loans, advances and financing*                  | 280,177                             | -                        | 280,160                  | 280,160                |
| Other receivables                               | 155,627                             | -                        | 155,627                  | 155,627                |
| Statutory deposits with<br>Bank Negara Malaysia | 7,591                               | 7,591                    | -                        | 7,591                  |
| <b>Total</b>                                    | <u>1,855,965</u>                    | <u>1,420,161</u>         | <u>435,787</u>           | <u>1,855,948</u>       |

\* Excludes collective impairment allowances

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value as at 31 December 2015, but for which fair value is disclosed (continued).

|   | <u>Carrying<br/>value</u><br>RM'000 | <u>Level 1</u><br>RM'000 | <u>Level 2</u><br>RM'000 | <u>Total</u><br>RM'000 |
|---|-------------------------------------|--------------------------|--------------------------|------------------------|
| <u>Financial liabilities</u>  |                                     |                          |                          |                        |
| Deposits from customers   | 1,393,370                           | -                        | 1,393,361                | 1,393,361              |
| Deposits and placement of banks<br>and other financial institutions | 38,393                              | -                        | 38,392                   | 38,392                 |
| Bills and acceptances payable                                       | 27,156                              | -                        | 27,156                   | 27,156                 |
| Other payables  | 126,291                             | -                        | 126,291                  | 126,291                |
| <b>Total</b>  | <u>1,585,210</u>                    | <u>-</u>                 | <u>1,585,200</u>         | <u>1,585,200</u>       |

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value as at 31 December 2014, but for which fair value is disclosed.

|   | Carrying<br>value<br>RM'000 | Level 1<br>RM'000 | Level 2<br>RM'000 | Total<br>RM'000  |
|---|-----------------------------|-------------------|-------------------|------------------|
| <u>Financial assets</u>   |                             |                   |                   |                  |
| Cash and short-term funds   | 1,642,304                   | 1,642,304         | -                 | 1,642,304        |
| Deposits and placement with banks                                   | 3,934                       | 3,934             | -                 | 3,934            |
| Loans, advances and financing*                                      | 236,467                     | -                 | 236,500           | 236,500          |
| Other receivables   | 20,928                      | -                 | 20,928            | 20,928           |
| Statutory deposits with<br>Bank Negara Malaysia                     | 3,000                       | 3,000             | -                 | 3,000            |
| Total   | <u>1,906,633</u>            | <u>1,649,238</u>  | <u>257,428</u>    | <u>1,906,666</u> |
| <u>Financial liabilities</u>  |                             |                   |                   |                  |
| Deposits from customers   | 1,888,735                   | -                 | 1,888,735         | 1,888,735        |
| Deposits and placement of banks<br>and other financial institutions | 75,740                      | -                 | 75,740            | 75,740           |
| Bills and acceptances payable                                       | 31,746                      | -                 | 31,746            | 31,746           |
| Other payables  | 53,214                      | -                 | 53,214            | 53,214           |
| Total   | <u>2,049,435</u>            | <u>-</u>          | <u>2,049,435</u>  | <u>2,049,435</u> |

\* Excludes collective impairment allowances

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (continued)

The fair values are based on the following methodologies and assumptions:

(a) Short-term funds and deposits and placements with banks

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

(b) Loans, advances and financing

For loans with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair value. For loans with maturities of one year or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired loans are represented by their carrying values, net of individual allowance, being the expected recoverable amount.

(c) Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of one year or more, the fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(d) Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying values. For deposits and placements with maturities of one year or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

(e) Other receivables and other payables

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

(f) Bills and acceptances payable

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

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

31 **OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

|                             |   |  |   | <u>Related amounts not set off in the statement of financial position</u> |                                 |                   |
|-----------------------------|---|--|---|---|---------------------------------|-------------------|
|                             | <u>Gross amounts of recognised financial assets</u> | <u>Gross amounts of recognised financial assets set off in the statement of financial position</u> | <u>Net amounts of financial assets presented in the statement of financial position</u> | <u>Financial Instruments</u>  | <u>Cash collateral received</u> | <u>Net amount</u> |
|                             | RM'000  | RM'000   | RM'000  | RM'000  | RM'000                          | RM'000            |
| <u>2015</u>                 |   |  |   |   |                                 |                   |
| Derivative financial assets | <u>381,661</u>                                      | <u>-</u>   | <u>381,661</u>  | <u>(195,559)</u>  | <u>(119,669)</u>                | <u>66,433</u>     |
| <u>2014</u>                 |   |  |   |   |                                 |                   |
| Derivative financial assets | <u>91,423</u>                                       | <u>-</u>   | <u>91,423</u>   | <u>(34,711)</u>   | <u>(39,209)</u>                 | <u>17,503</u>     |



Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

31 **OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

|                                  |  |   | <u>Related amounts not set off in the statement<br/>of financial position</u>  |  |   |                                 |
|----------------------------------|--|---|--|--|---|---------------------------------|
|                                  | <u>Gross amounts<br/>of recognised<br/>financial liabilities</u><br>RM'000 | <u>Gross amounts<br/>of recognised<br/>financial liabilities set<br/>off in the<br/>statement of<br/>financial position</u><br>RM'000 | <u>Net amounts<br/>of financial<br/>liabilities<br/>presented<br/>in the statement<br/>of financial<br/>position</u><br>RM'000 | <u>Financial<br/>Instruments</u><br>RM'000 | <u>Cash<br/>collateral<br/>paid</u><br>RM'000 | <u>Net<br/>amount</u><br>RM'000 |
| <u>2015</u>                      |  |   |  |  |   |                                 |
| Derivative financial liabilities | 400,197  | -   | 400,197  | (195,559)                                  | (151,114)                                     | 53,524                          |
|                                  | <u>400,197</u>   | <u>-</u>  | <u>400,197</u>   | <u>(195,559)</u>                           | <u>(151,114)</u>                              | <u>53,524</u>                   |
| <u>2014</u>                      |  |   |  |  |   |                                 |
| Derivative financial liabilities | 61,275   | -   | 61,275   | (34,711)                                   | (6,463)                                       | 20,101                          |
|                                  | <u>61,275</u>  | <u>-</u>  | <u>61,275</u>  | <u>(34,711)</u>                            | <u>(6,463)</u>                                | <u>20,101</u>                   |

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

**31 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Bank and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default which includes failure by the other party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

**32 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 June 2016.

Company No.

|        |   |
|--------|---|
| 310983 | V |
|--------|---|

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

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

We, Raymond Yeoh Cheng Seong and David Allan Cairns, being two of the Directors of Bank of America Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 10 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2015 and of the results and cash flows of the Bank for the financial year ended on that date and in accordance with the provisions of the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines.

Signed on behalf of the Board of Directors in accordance with their resolution dated 23 June 2016.



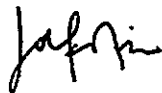
RAYMOND YEOH CHENG SEONG  
DIRECTOR



DAVID ALLAN CAIRNS  
DIRECTOR

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

I, Loh Fwu-Zian, the Officer primarily responsible for the financial management of Bank of America Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 104 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



LOH FWU-ZIAN

Subscribed and solemnly declared by the above named Loh Fwu-Zian at Kuala Lumpur on 23 June 2016, before me.



COMMISSIONER FOR OATHS





INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)  
(Company No. 310983 V)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank of America Malaysia Berhad, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 104.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of the financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
BANK OF AMERICA MALAYSIA BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 310983 V)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

WILLIAM MAH JIN CHIEK  
(No. 3085/07/17 (J))  
Chartered Accountant

Kuala Lumpur

30 JUN 2016