

Registration No.

199401025304 (310983-V)

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

**REPORTS AND STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Registration No.

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

REPORTS AND STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

**DIRECTORS' REPORT**

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 2019.

**PRINCIPAL ACTIVITIES**

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

There were no significant changes in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	RM'000
Profit before taxation	81,206
Taxation	(21,006)
	<hr/>
Profit for the financial year	<u>60,200</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 2019.

**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.

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**DIRECTORS' REPORT (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.

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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS' REMUNERATION**

The auditors, PricewaterhouseCoopers PLT, have been remunerated for services rendered as auditors of the Bank as disclosed in Note 21 to the financial statements. The auditors were not granted indemnity or insurance by the Company.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

**DIRECTORS**

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

David Allan Cairns (Chairman)  
Raymond Yeoh Cheng Seong  
Ayesha Natchiar Binti Dato Ally Maricar  
Dato' Mohammed Bin Haji Che Hussein  
Kellee Kam Chee Khiong

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 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year held any interests in shares in or debentures of the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Bank of America Corporation Number of ordinary shares of USD0.01 each			
	As at 1.1.2019	Shares held by Directors in their own name		As at 31.12.2019
		Acquired/ Granted	Disposed	
Raymond Yeoh Cheng Seong	26,969	9,968	17,169	19,768

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**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than the benefits shown under Directors' Remuneration) 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.

Details of Directors' Remuneration are set out in Note 22 in the financial statements.

**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 including credit, market, liquidity and operational risks. In addition, it ensures that the appropriate levels of due diligence, controls, risk tolerance and stakeholders perspectives are taken into consideration when making each and every business decision.

**BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 2019**

For the financial year ended 31 December 2019, the Bank's strategy remained consistent with a focus on providing multinationals, large local corporations and financial institutions with banking services and solution including Credit Facilities, Supply Chain and Trade Finance, Foreign Exchange and Cash Management. The Bank's Fixed Income, Currency and Commodity ("FICC") business, which includes the trading of foreign exchange, interest rate swaps, and government securities looked to satisfy demand for investment and hedging solutions from clients in Ringgit and non-Ringgit products. The Bank also continues to actively pursue opportunities to expand its Vendor Financing business.

**OUTLOOK FOR THE FINANCIAL YEAR 2020**

Anti-globalisation sentiments and trade tensions continue to shape the business environment. In the medium term, deflationary forces from technological advances and disruptions, ageing demographics in the developed world and large amounts of government, corporate and consumer debt are expected to reduce the scope for Global Central Banks in normalising interest rates. The banking environment and the flow of capital will be influenced by the quest for yield as investments flow from negative interest rate environments to higher yield markets. Emerging market bonds including Malaysian Government Securities are expected to see a strong bid from offshore funds as the scope to enhance yield narrows. Political factors will also exert a strong influence on policy makers globally as societies vote against wealth and income disparity, further globalisation and immigration.

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**DIRECTORS' REPORT (CONTINUED)**

**OUTLOOK FOR THE FINANCIAL YEAR 2020 (CONTINUED)**

Malaysia is expected to benefit from Foreign Direct Investments from MNCs looking to create an alternative supply chain footprint to diversify concentrated geo political vulnerabilities. We expect GDP growth to be affected by event driven factors including the Corona Virus outbreak in 2020 and risks are currently to the downside. Bank Negara had preemptively cut its overnight policy rate to 2.75% by early 2020 and we expect BNM to maintain its accommodative stance as domestic political uncertainties and weakening consumer and business sentiment add to external sources of risk. Should further downside risks to growth materialize, we expect BNM to respond with even easier monetary policy. We expect the Ringgit to trade in a stable range against the currencies of Malaysia's major trading partners.

Bank of America Malaysia will win more mandates in the corporate treasury management space in 2020 and on board new mandates won in 2019. We also expect to see a gradual build-up of transactions on the loan side. We see pressure on cash management revenues from more competitive deposit bids by our competitors. A reduction in the proportion of interest free deposits and a further fall in MYR and USD rates could further compress cash management revenues. There will also likely be a further flow-back of cash to the US by US MNCs for tax or other reasons. In our FICC business we believe that the lack of investable emerging markets globally and the quest for higher yield will bring significant global investor flows into Malaysia.

The Bank will stay its course to leverage the competitive advantages gained from the combination of Bank of America's network and existing global client base, extensive product and technology platform and its Commercial and Investment Banking presence in Malaysia. We will deliver the products our clients want and need, and improve the quality of our services and our local platform. We intend to deepen relationships with our existing client base locally aiming for a greater share of the clients' business in Malaysia. We also expect to onboard more existing Bank of America global clients who do not currently bank with us in Malaysia and new clients who are able to meet our strict client selection criteria. The Bank's focus on Treasury Management, FICC, payments and receipts, trade and vendor finance and other financing and advisory solutions remains unchanged.

Significant events subsequent to the reporting date has been included in Note 36 to the Financial Statements.

**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 endeavored to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code.

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**DIRECTORS' REPORT (CONTINUED)**

**BOARD OF DIRECTORS**

**The Board**

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

**Composition of the Board**

As of 31 December 2019, the Board has five (5) members, comprising the Chairman and Independent Director (1), Chief Executive Officer and Executive Director (1), and Independent Directors (3), as follows:

	<u>Designation</u>
David Allan Cairns	Chairman and Independent Director
Raymond Yeoh Cheng Seong	Chief Executive Officer and Executive Director
Ayesha Natchiar Binti Dato Ally Maricar	Independent Director
Dato' Mohammed Bin Haji Che Hussein	Independent Director
Kellee Kam Chee Khiong	Independent Director

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

There are clear division of responsibilities between the Board and the Chief Executive Officer ("CEO") and Executive Director ("ED") to ensure the balance of power and authority. The CEO/MD's primary responsibilities are to manage the Bank's day-to-day operations and together with the Non-Executive Directors to 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 judgment 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.



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**DIRECTORS' REPORT (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

**Board Meetings**

The Board shall meet as often as is necessary to further the business of the Bank and to fulfil its responsibilities to the stakeholders. Notwithstanding this, the Board shall meet at least six times per calendar year.

The Board met 7 times during the financial year ended 31 December 2019. The attendance of each Director in office at the end of the financial year on the aforesaid Board meetings are set out below:

<b><u>Directors</u></b>	<b><u>Attendance</u></b>	<b><u>Attendance %</u></b>
David Allan Cairns Chairman and Independent Director	7/7	100%
Raymond Yeoh Cheng Seong Chief Executive Officer and Executive Director	7/7	100%
Ayesha Natchiar binti Dato' Ally Maricar Independent Director	6/7	86%
Dato' Mohammed bin Haji Che Hussein Independent Director	7/7	100%
Kellee Kam Chee Khiong Independent Director	7/7	100%

Scheduled Board meetings are structured with a pre-set agenda. The Board's principal focus amongst others is the overall strategic direction, financial and corporate developments of the Bank. Key matters such as the Bank's business and marketing strategy, quarterly financials, material contracts, major capital expenditure and credit policies and guidelines are reserved for the Board's decision.

The Directors are kept abreast of the Bank's performance via the various monthly reports tabled at the Board meetings and Board committee meetings. The reports include the financial reports, major capital expenditure reports, credit reports, risk reports and audit reports. Minutes of meetings of the various committees of the Bank are tabled to the Board for notation.

Agenda and Board papers are circulated prior to the Board meetings to give Directors appropriate time to consider and deliberate on the issues to be raised at the Board meetings. The Directors have full access to the senior management of the Bank and the advice and services of the Company Secretary.

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

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**DIRECTORS' REPORT (CONTINUED)**

**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 and two (2) Independent Directors.

<u>Composition of the Audit Committee</u>	<u>Attendance</u>
Dato' Mohammed Bin Haji Che Hussein (Chairman)	7/7
David Allan Cairns	7/7
Ayesha Natchiar Binti Dato Ally Maricar	6/7

**Risk Management Committee**

The Board has established the Risk Management Committee in April 2013. The Committee comprises three (3) Directors of which one (1) is the Chairman and two (2) Independent Directors.

<u>Composition of Risk Management Committee</u>	<u>Attendance</u>
Ayesha Natchiar Binti Dato' Ally Maricar (Chairman)	5/6
David Allan Cairns	6/6
Kellee Kam Chee Khiong	6/6

**Nominating Committee**

The Board has established the Nominating Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman and two (2) Independent Directors.

<u>Composition of Nominating Committee</u>	<u>Attendance</u>
Kellee Kam Chee Khiong (Chairman)	3/3
David Allan Cairns	3/3
Ayesha Natchiar Binti Dato Ally Maricar	2/3

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**DIRECTORS' REPORT (CONTINUED)**

**DISCLOSURE OF BOARD COMMITTEES (CONTINUED)**

**Remuneration Committee**

The Board has established the Remuneration Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman and two (2) Independent Directors.

<u>Composition of Remuneration Committee</u>	<u>Attendance</u>
Kellee Kam Chee Khiong (Chairman)	3/3
David Allan Cairns	3/3
Ayesha Natchiar Binti Dato Ally Maricar	2/3

**RATING BY AGENCIES**

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

**HOLDING AND ULTIMATE HOLDING COMPANY**

The Directors regard Bank of America, National Association, 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.

Pursuant to Bank of America Corporation's group reorganisation exercise, the transfer of 135,800,000 Bank of America Malaysia Berhad ("BAMB") shares ("Shares") from BankAmerica International Financial Corporation (US Federal Tax ID #13-6148624) ("BIFC") to Bank of America, National Association (OCC Charter Number 13044) ("BANA") was executed on 1st October 2019, and further reflected in the register of members of BAMB on 18 October 2019. The beneficial title to the Shares vested in BANA on the transfer date of 1st October 2019 and the legal title to the Shares vested in BANA on 18 October 2019. The gap in time between the vesting of the beneficial and legal title to the Shares arose as a result of the requirements under Companies Act 2016 and Stamp Act 1949 for the entry of BANA in the register of members of BAMB to be made only after stamp duty is paid on the Shares.

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**DIRECTORS' REPORT (CONTINUED)**

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT, have been remunerated for services rendered as auditors of the Bank as disclosed in Note 21 to the financial statements. The auditors were not granted indemnity or insurance by the Company.

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), 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  
26 June 2020

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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
<b>ASSETS</b>			
Cash and short term funds	2	2,736,001	2,117,387
Financial assets at fair value through profit or loss (FVTPL)	3	900,961	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	4	102,576	52,923
Loans, advances and financing	5	248,512	134,594
Other assets	6	21,445	22,809
Derivative assets	7	40,456	31,497
Tax recoverable		9,722	8,630
Deferred tax assets	8	2,035	2,134
Statutory deposits with Bank Negara Malaysia	9	10,001	16,800
Property and equipment	10	4,892	2,017
<b>TOTAL ASSETS</b>		<u>4,076,601</u>	<u>4,460,698</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	11	3,146,529	2,988,012
Deposits and placements of banks and other financial institutions	12	76,104	680,972
Bills and acceptances payable		18,482	27,258
Other liabilities	13	58,076	58,600
Derivative liabilities	14	44,526	33,177
<b>TOTAL LIABILITIES</b>		<u>3,343,717</u>	<u>3,788,019</u>
Share capital	15	135,800	135,800
Reserves	16	597,084	536,879
Shareholders' funds		<u>732,884</u>	<u>672,679</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>4,076,601</u>	<u>4,460,698</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	29	<u>12,429,913</u>	<u>11,176,415</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 RM'000	2018 RM'000
Interest income	17	65,803	69,450
Interest expense	18	(44,352)	(31,103)
<b>Net interest income</b>		21,451	38,347
Net trading income	19	117,697	89,792
Other operating income	20	20,037	19,050
<b>Net non-interest income</b>		137,734	108,842
<b>Net income</b>		159,185	147,189
Other operating expenses	21	(77,087)	(74,540)
<b>Profit before impairment</b>		82,098	72,649
Impairment charge for credit losses	24	(892)	(16,792)
<b>Profit before tax</b>		81,206	55,857
Taxation	27	(21,006)	(14,004)
<b>Profit for the financial year</b>		60,200	41,853
<b>Other comprehensive income:</b>			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Change in value of financial assets at fair value through other comprehensive income (FVOCI):			
- Income tax effects		-	-
<u>Items that may not be subsequently reclassified to profit or loss</u>			
Change in value of equity investments at fair value through other comprehensive income (FVOCI)			
		5	-
<b>Other comprehensive income, net of tax</b>		5	-
<b>Total comprehensive income for the financial year</b>		60,205	41,853
Earnings per share (sen)			
- Basic/Diluted	28	44.33	30.82

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Share capital</u>	<u>Statutory reserves</u>	<u>FVOCI reserves</u>	<u>Non distributable Regulatory reserves</u>	<u>Distributable Retained profits</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	135,800	-	1,047	2,679	533,153	672,679
Total compressive income for the financial year	-	-	-	-	60,200	60,200
Change in value of financial assets at fair value through other comprehensive income (FVOCI)	-	-	5	-	-	5
Transfer to regulatory reserve	-	-	-	(1,392)	1,392	-
At 31 December 2019	<u>135,800</u>	<u>-</u>	<u>1,052</u>	<u>1,287</u>	<u>594,745</u>	<u>732,884</u>

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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	<u>Share</u> <u>capital</u> RM'000	<u>Statutory</u> <u>reserves</u> RM'000	<u>FVOCI</u> <u>reserves</u> RM'000	<u>Non distributable</u> <u>Regulatory</u> <u>reserves</u> RM'000	<u>Distributable</u> <u>Retained</u> <u>profits</u> RM'000	<u>Total</u> RM'000
At 1 January 2018	135,800	141,446	1,047	-	352,533	630,826
Total comprehensive income for the financial year	-	-	-	-	41,853	41,853
Transfer to regulatory reserve	-	-	-	2,679	(2,679)	-
Transfer from statutory reserve	-	(141,446)	-	-	141,446	-
At 31 December 2018	<u>135,800</u>	<u>-</u>	<u>1,047</u>	<u>2,679</u>	<u>533,153</u>	<u>672,679</u>



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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	81,206	55,857
Adjustments for:		
- Depreciation of property and equipment	1,192	845
- Depreciation of right-of-use assets	665	-
- Impairment write back for credit losses	892	16,792
- Net unrealised (loss)/gain on fair value changes in derivatives	(838)	10,694
- Net unrealised (loss)/gain on revaluation of financial assets at FVTPL	(331)	916
	<hr/>	<hr/>
	82,786	85,104
Changes in working capital:		
<i>(Increase)/Decrease in operating assets:</i>		
Financial assets FVTPL	1,171,277	(1,736,092)
Financial assets FVOCI	(49,653)	(49,928)
Loans, advances and financing	(114,810)	101,524
Other assets	1,364	9,134
Derivative assets	(8,121)	5,980
Statutory deposit with Bank Negara Malaysia	6,799	(9,209)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	158,517	480,463
Deposits and placements of banks and other financial institutions	(604,868)	502,462
Bills and acceptances payable	(8,776)	(15,328)
Other liabilities	(2,248)	6,012
Derivative liabilities	11,349	(5,983)
	<hr/>	<hr/>
<b>CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>643,616</b>	<b>(625,861)</b>
Taxation paid	(22,000)	(20,680)
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM /(USED IN) BY OPERATING ACTIVITIES</b>	<b>621,616</b>	<b>(646,541)</b>
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

	Note	<u>2019</u> RM'000	<u>2018</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,296)	(1,073)
Proceeds from disposal of property and equipment		-	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(2,296)</u>	<u>(1,073)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease rentals		(706)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(706)</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>		618,614	(647,614)
<b>AS AT 1 JANUARY</b>		<u>2,117,387</u>	<u>2,765,001</u>
<b>AS AT 31 DECEMBER</b>	2	<u><u>2,736,001</u></u>	<u><u>2,117,387</u></u>

**BANK OF AMERICA MALAYSIA BERHAD**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
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**I SIGNIFICANT ACCOUNTING POLICIES**

**A BASIS OF PREPARATION**

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

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 income and expenses during the reported year. It also requires Directors to exercise their judgment in the process of applying the Bank's accounting policies. Although these estimates and judgments are based on the Directors' best knowledge of current events and actions, actual results may differ.

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

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2019. None of these is expected to have a significant effect on the financial statement of the Bank except the following set out below:

**MFRS 16 Leases - effective from 1 January 2019 supersedes MFRS 117 Leases and the related interpretations.**

The Bank has applied MFRS 16 Leases for the first time with a date of initial application of 1 January 2019. MFRS 16 addresses the definition of a lease, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard replaces MFRS 117 - Leases, and related interpretations. MFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement. The Bank's lessor accounting under MFRS 16 has not changed substantially from the previous requirements under MFRS 117.

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**I 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)***

**MFRS 16 Leases - effective from 1 January 2019 supersedes MFRS 117 Leases and the related interpretations (continued)**

- Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a year of time in exchange for consideration.
- MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for most leases.
- The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, plant and equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The adoption of this standard did not have any significant impact on the current period.

**MFRS 112 'Income Taxes' - effective from 1 January 2019**

Amendments to MFRS 112 'Income Taxes' clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in income statements, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in income statements when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners. The adoption of the amendments did not have any impact on the current period.

**MFRS 9 'Prepayment Features with Negative Compensation' - effective from 1 January 2019**

Amendments to MFRS 9 'Prepayment Features with Negative Compensation'

The amendments allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model. The amendments will be applied retrospectively. The adoption of the amendments did not have any impact on the current period.

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**I 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)***

**IC Interpretation 23 'Uncertainty over Income Tax Treatments' - effective 1 January 2019**

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty. IC Interpretation 23 will be applied retrospectively. IC Interpretation 23 did not have any impact on the current period.

**Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement' - effective 1 January 2019**

The amendments requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively. The adoption of the amendments did not have any impact on the current period.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A BASIS OF PREPARATION (CONTINUED)**

**(b) *Standards, amendments to published standards and interpretations to existing standards but not yet effective***

**MFRS 3 'Definition of a Business' - effective 1 January 2020**

Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

**Amendments to MFRS 9 'Financial Instruments', MFRS 139 'Financial Instruments: Recognition and Measurement' and MFRS 7 'Financial Instruments: Disclosures' – effective 1 January 2020**

Interest Rate Benchmark Reform (Amendments to MFRS 9 'Financial Instruments', MFRS 139 'Financial Instruments: Recognition and Measurement' and MFRS 7 'Financial Instruments: Disclosures') were issued in October 2019 that modify the specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. These amendments apply from 1 January 2020 with early adoption permitted.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B INTEREST INCOME AND EXPENSES**

*Amortised cost and effective interest rate*

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (that is to say, the amortised cost before any impairment allowance) or to the amortised cost of a financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider expected credit losses. For financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes all amounts received or paid by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

*Calculation of interest income and expense*

Interest income and expense for all interest bearing financial instruments are recognised on an accruals basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of the financial asset (for non-credit impaired assets) or to the amortised cost of the liability.

For financial assets that have become credit-impaired subsequent to initial recognition, the effective interest rate is applied to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

*Net income from other financial instruments at fair value through profit or loss*

Net income from other financial instruments at FVTPL relates to financial assets and financial liabilities designated as at FVTPL. This also includes non-trading assets and liabilities measured mandatorily at FVTPL. The net income includes fair value changes, interest and foreign exchange differences.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C PROVISIONS**

Provisions are recognised by the Bank when all of the following conditions have been met:

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

Where the Bank expects 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 management's best estimate 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 the passage of time is recognised in the statement of comprehensive income.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

**D FINANCIAL ASSETS**

Classification

The Bank classifies its financial assets as measured at: amortised cost, FVOCI or FVTPL. A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is classified as measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D FINANCIAL ASSETS (CONTINUED)**

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (eg. financial assets are held for trading purposes, are held to maximise cash flows through sale, or are managed on a fair value basis), then the financial assets are classified as part of 'other' business model and are measured at FVTPL.

Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for the assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payments of Principal and Interest ("SPPI"): where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, that is to say that interest includes only consideration for the time value of money, credit risks, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bank's cash and debtors that are not considered to be managed on a fair value basis, meet the requirements to be measured at amortised cost. In addition, investments in debt securities held to meet everyday and regulatory liquidity requirements meet the requirements to be measured at FVOCI.

All other financial assets, including long inventory positions, are classified as measured at FVTPL.

At initial recognition

The Bank recognises financial assets in the statement of financial position on settlement date.

The Bank initially measures a financial asset at its fair value plus or minus, in the case of a financial asset not subsequently measured at FVTPL, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, the Bank recognises an expected credit loss allowance for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note K, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D FINANCIAL ASSETS (CONTINUED)**

*At subsequent measurement*

The Bank's debt instruments mainly comprise of cash and bank balances, Malaysian government securities, placements with banks and other financial institutions, loans and advances, other assets. Their subsequent measurement categories are as follows:

- Amortised cost: A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- Fair value through other comprehensive income: Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of comprehensive income within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net income from other financial instruments at fair value through profit or loss'.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E FINANCIAL LIABILITIES**

The Bank recognises financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Bank initially measures a financial liability at its fair value plus or minus, in the case of a financial liability not subsequently measured at FVTPL, transactions costs that are directly attributable to the issue of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

(a) Financial liabilities at FVTPL

Derivative liabilities are held for trading or held for risk management purposes and are measured at FVTPL. Loan commitments that the entity designates as at FVTPL are recorded on the statement of financial position at fair value at inception of the agreement. This designation cannot be changed subsequently. Subsequent movements in fair value are recorded in the income statement within net income from financial instruments designated at fair value.

When the Bank designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a debit valuation adjustments reserve. However, if on initial recognition of the financial liability the Bank assesses that presentation in OCI would create, or enlarge, an accounting mismatch, then the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

Amounts presented in the debt valuation adjustments reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

(b) Other liabilities measured at amortised cost

Financial liabilities are subsequently carried at amortised cost, using the effective interest rate method. The Bank's financial liabilities comprise of deposits of non-bank customers, deposits and balances of banks and other financial institutions, bills payable and other liabilities.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognise the asset to the extent of its continuing involvement and also recognises an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a secured borrowing for the cash proceeds received.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received and any cumulative gain that had been recognised in OCI is recognised in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications to the terms of financial assets and liabilities may result in derecognition if it is deemed that the modification results in an expiry of the contractual rights and obligations of the original instrument, see Note I for further details.

**G FINANCIAL GUARANTEES AND LOAN COMMITMENTS**

Financial guarantees

Financial guarantee contracts are direct credit substitute contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt. These financial guarantees are given to other parties such as other banks and financial institutions, on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value plus transaction costs on the date the guarantee was given.

Financial guarantees are recognised at the higher of the initial measurement, less amortisation calculated to recognise in the income statement whereby the fee income earned is in accordance with the principles of MFRS 15 over the life of the guarantee, and the amount determined in accordance with the ECL model as detailed in Note 24.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G FINANCIAL GUARANTEES AND LOAN COMMITMENTS (CONTINUED)**

Loan commitments

Loan commitments provided by the Bank are subject to loss allowance calculated in accordance with Note K. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Loss allowance arising from financial guarantees and loan commitments are included within provisions. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

**H TRADE AND VALUE DATED TRANSACTIONS**

In general, funding financial instruments (e.g. loans and deposits) measured at amortised cost are recognised and derecognised on a value (settlement) date basis and trading instruments (e.g. debt securities, derivatives, etc.) measured at FVTPL are recognised and derecognised on settlement basis.

**I MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

If the terms of a financial asset or financial liability are modified, the Bank evaluates whether the new terms of the modified instrument are substantially different to the original terms. If the new terms are substantially different, then the original instrument is derecognised and a new instrument, based on the modified terms, is recognised at fair value. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

In relation to financial assets, if the contractual terms of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition. Instead the Bank recalculates the gross carrying amount of the financial asset based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is present together with impairment losses. In other cases it is presented as other income.

Where modification does result in derecognition, the date of modification is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining where a significant increase in credit risk has occurred since initial recognition.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the date of the modification is treated as the date of initial recognition of the new financial asset when applying the impairment requirements to the modified financial asset.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J 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 assets 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.

**K IMPAIRMENT OF FINANCIAL ASSETS**

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL;

- Financial assets that are debt instruments
- Financial guarantee contracts issued
- Loan commitments issued

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to 12-month ECL for financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances for financial instruments where there has been a significant increase in credit risk are measured at lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

*Stage 1: 12 months ECL – not credit impaired*

For credit exposures where there has not been a significant increase in credit risk since initial recognition or which has low credit risk at reporting date and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

*Stage 2: Lifetime ECL – not credit impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)**

*Stage 3: Lifetime ECL – credit impaired*

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

Generally, all financial assets that are 90 days past due or more are classified under Stage 3.

The Bank consider the following as constituting an event of default:

Quantitative criteria

The borrower is past due more than 90 days on any material credit obligation to the Bank.

Qualitative criteria

- Legal action has been initiated by the Bank for recovery purposes;
- Borrower is a bankrupt;
- Borrower has been assigned to external collection agency; and
- When there is modification referring to any changes in the contractual cash flow of loan due to credit deterioration reasons.

Significant increase in credit risk (SICR)

The Bank consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Among the indicators incorporated in ascertaining SICR are:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)**

Measurement of ECL

ECL are unbiased and probability-weighted estimate of credit losses, measured as follows:

- For financial assets that are not credit-impaired at the reporting date, the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- For financial assets that are credit-impaired at the reporting date, the difference between the gross carrying amount and the present value of estimated future cash flows;
- For undrawn loan commitments, the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn upon and the cash flows that the Bank expects to receive; and
- For financial guarantee contracts, the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised, and ECL are measured as follows:

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties.



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

**K IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)**

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

For financial assets measured at amortised cost, the loss allowance for ECL is presented as a deduction from the gross carrying amount of the assets. For loan commitments and financial guarantee contracts, the loss allowance is presented as a provision.

For debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position as the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

Loans and debt securities are written off, either partially or in full, when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L 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 of the cash inflows from other assets or group of assets ('cash-generating units'). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation surplus in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

**M(i) LEASES**

The Bank has applied MFRS 16 Leases for the first time with a date of initial application of 1 January 2019. MFRS 16 addresses the definition of a lease, and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard replaces MFRS 117 - Leases, and related interpretations. MFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement. The Bank's lessor accounting under MFRS 16 has not changed substantially from the previous requirements under MFRS 117.

The Bank has made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to leases entered or modified before 1 January 2019. For contracts entered into or modified on or after 1 January 2019, the Bank applies the definition in MFRS 16 to determine whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applied MFRS 16 using the modified retrospective approach, and such comparative information has not been restated. Comparative information presented in these financial statements is prepared based on the accounting policies that the Bank had previously applied under MFRS 117.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M(i) LEASES (CONTINUED)**

**Lessee arrangements**

For lessee arrangements, the Bank records right-of-use assets and lease liabilities at lease commencement. All leases are recorded in the statement of financial position except leases with an initial term less than 12 months for which the Bank made the short-term lease election.

The Bank made an accounting policy election not to separate lease and non-lease components of a contract that is or contains a lease for its real estate and equipment leases. As such, lease payments represent payments on both lease and non-lease components. At lease commencement, lease liabilities are recognised based on the present value of the remaining lease payments and discounted using the Bank's incremental borrowing rate. Right-of-use assets initially equal the lease liability, adjusted for any lease payments made prior to lease commencement and for any lease incentives.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term, on a straight line basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Prior to 1 January 2019, the Bank classified leases that did not transfer substantially all of the risks and rewards of ownership as operating leases. Rentals under operating leases were charged to the income statement on a straight line basis over the lease term.

**M(ii) PROPERTY AND EQUIPMENT**

**(a) Measurement**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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 profit or loss during the financial year in which they are incurred.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M(ii) PROPERTY AND EQUIPMENT (CONTINUED)**

(b) Depreciation

Depreciation of property 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 of capital work in progress commences when the assets are ready for their intended use.

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset 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. All other repair and maintenance expenses are recognised in the profit or loss when incurred.

(d) Disposal

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other income, net".

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting year.

At the end of the reporting year, the Bank assess whether there is any indication of impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note L on impairment of non-financial assets.

**N BILLS AND ACCEPTANCES PAYABLE**

Bills and acceptances payable represents the Bank's own bills and acceptances re-discounted and outstanding in the market.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

Derivatives are initially recognised at fair values on the date a derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting year. 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 values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit or loss.

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.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)**

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, 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 year to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(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 profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the years 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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(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 profit or loss.

As at 31 December 2019, the Bank has not designated any derivatives as hedging instruments.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P FOREIGN CURRENCY TRANSLATIONS**

(a) Functional and presentation currency

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

(b) Foreign currency 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 profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as fair value through other comprehensive income (FVOCI) are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in other comprehensive income. Non-monetary assets and liabilities in a foreign currency that are not measured at fair value are not subsequently re-translated for movements in prevailing exchange rates.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income (FVOCI), are included in other comprehensive income.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q CURRENT AND DEFERRED INCOME TAXES**

(a) Current tax

Tax expense for the year comprises current and deferred tax. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, 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 income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in Malaysia where the Bank operates and generates taxable income.

Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

(b) Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. 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 the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting year and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unutilised tax credits can be utilised.

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



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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 1 month or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**S EMPLOYEE BENEFITS**

(a) Short term employee benefits

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

(b) Defined contribution plan

A defined contribution plan is a pension plan under which the Bank pays 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 years.

The Bank's contributions to EPF are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**T 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 over the vesting year net of estimated forfeitures, unless the employee meets certain retirement eligibility criteria. For awards to employees that meet retirement eligibility criteria, the Bank accrues the expense in the year prior to grant. For employees that become retirement eligible during the vesting year, 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.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Bank does not recognise 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. However, contingent liabilities do not include financial guarantee contracts.

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.

**V SHARE CAPITAL**

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against the share premium account.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting year but not distributed at the end of the reporting year.

Distributions to holders of an equity instrument is recognised directly in equity.

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**I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V SHARE CAPITAL (CONTINUED)**

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Bank, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
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**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 judgment 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 judgments made as part of such methods, are well-controlled, independently reviewed and applied consistently from year to year. 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 judgment.

(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 judgment 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 judgment is necessary to estimate fair value. The valuation process takes into consideration factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk.

The Bank's financial assets at FVTPL 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 judgment to substantiate the model valuation. These instruments are normally either traded less actively or trade activity is one way. Management's judgment 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.

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

(b) Impairment losses on loans and advances

The Bank's accounting policy for losses in relation to the impairment of financial instruments is described in Note K. The measurement of the expected credit loss allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and customer behaviour. An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is provided in Note 24, which also sets out the key sensitivities of the ECL to changes in these elements.

In applying the accounting requirements for calculating impairment, the Bank has made significant judgments such as in relation to establishing groups of similar financial assets for the purposes of measuring ECL, and establishing the number and relative weightings for forward- looking scenarios used in the calculation.

As part of the staging assessment required under MFRS 9, the Bank applies judgment in establishing criteria for determining whether the risk of default on a financial instrument has increased significantly since initial recognition, considering reasonable and supportable information that is relevant and available without undue cost or effort.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. Note 24 provides additional detail on the Bank's approach to determining significant increase in credit risk.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1 GENERAL INFORMATION**

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

The holding company of the Bank is Bank of America, National Association, 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 of the Bank is 18th Floor, Wisma Goldhill, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia. The 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>2019</u> RM'000	<u>2018</u> RM'000
Cash and balances with banks and other financial institutions	140,428	102,921
Money at call and deposit placements maturing within one month	2,595,573	2,014,466
	<u>2,736,001</u>	<u>2,117,387</u>

**3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Malaysian Government Securities	570,221	1,041,185
Malaysian Government Investment Issues	330,740	131,546
Malaysian Government Treasury Bills	-	899,176
	<u>900,961</u>	<u>2,071,907</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)**

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Quoted securities in Malaysia:</u>		
Bank Negara Bills	99,596	49,928
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	-	15
	<u>102,576</u>	<u>52,923</u>
	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Unquoted Shares</u>		
Credit Guarantee Corporation Bhd	2,968	2,968
ABM-MCD Holdings	12	12
	<u>2,980</u>	<u>2,980</u>

The Bank has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in OCI. The Bank consider this classification to be more relevant as these instruments are mandatory investments of the Bank and not held for trading purpose.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5 LOANS, ADVANCES AND FINANCING**

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	4,852	28,537
Factoring receivables	23,442	22,806
Staff loans	564	843
Revolving advances	196,040	52,236
Term loans	44,802	50,379
Mortgage loans	147	243
	<hr/>	<hr/>
Gross loans, advances and financing	269,847	155,044
Expected Credit Losses ("ECL")		
Stage 1: 12 Months - On Balance Sheet	(1,430)	(227)
Stage 2: Lifetime ECL not credit impaired	-	-
Stage 3: Lifetime ECL credit-impaired	(19,905)	(20,223)
	<hr/>	<hr/>
Total net loans, advances and financing	<u>248,512</u>	<u>134,594</u>
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>269,847</u>	<u>155,044</u>



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

	2019 RM'000	2018 RM'000
(c) By type of customer:		
Domestic business enterprises	203,892	153,743
Domestic banking institutions	-	-
Domestic non-banking financial institutions	65,243	214
Individuals	712	1,087
	<u>269,847</u>	<u>155,044</u>
(d) By interest rate sensitivity		
Fixed rate:		
Housing loans	510	767
Other fixed rate loans	23,496	79,926
Variable rate:		
Base rate	147	4,775
Cost plus	4,852	19,198
Other floating rate loans	240,842	50,378
	<u>269,847</u>	<u>155,044</u>
(e) By sector		
Mining & quarrying	44,802	51,598
Manufacturing	128,126	58,910
Construction	-	13,310
Wholesale & Retail trade, Restaurant & Hotels	12,936	4,807
Transport, storage, communication	1,012	2,517
Finance, insurance and business services	82,259	21,225
Education, health and others	-	1,591
Household	712	1,086
	<u>269,847</u>	<u>155,044</u>
(f) By economic purpose		
Purchase of transport vehicles	48	65
Purchase of landed property (residential)	658	1,010
Personal use	5	11
Working capital	269,136	153,958
	<u>269,847</u>	<u>155,044</u>

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
(g) By residual contractual maturity		
Within one year	254,200	137,918
One year to three years	15,089	16,296
Three years to five years	48	65
Over five years	510	765
	<u>269,847</u>	<u>155,044</u>
(h) Gross loans, advances and financing by staging		
	<u>2019</u> RM'000	<u>2018</u> RM'000
Stage 1: 12 Month ECL	225,018	104,635
Stage 2: Lifetime ECL Not Credit Impaired	-	-
Stage 3: Credit Impaired	44,829	50,409
	<u>269,847</u>	<u>155,044</u>
(i) Movements in impaired loans, advances and financing are as follows:		
	<u>2019</u> RM'000	<u>2018</u> RM'000
At 1 January	50,409	36
Impaired during the year	13	50,379
Amount recovered during the year	(3,488)	(6)
Reclassified as non-impaired during the year	(13)	-
Exchange difference	(2,092)	-
	<u>44,829</u>	<u>50,409</u>
At 31 December	44,829	50,409
Stage 3: Lifetime ECL credit impaired	(19,905)	(20,223)
	<u>24,924</u>	<u>30,186</u>
Net impaired loans, advances and financing	<u>24,924</u>	<u>30,186</u>
Gross impaired loans as a % of gross loans, advances and financing	<u>16.61%</u>	<u>32.51%</u>

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

(j) Movements in Expected Credit Losses ("ECL") on loans, advances and financing are as follows:

**2019**

	<u>12-Month ECL</u> <u>(Stage 1)</u> RM'000	<u>Not Credit-</u> <u>Impaired</u> <u>(Stage 2)</u> RM'000	<u>Lifetime ECL</u> <u>Credit</u> <u>Impaired</u> <u>(Stage 3)</u> RM'000	<u>Total</u> RM'000
At 1 January 2019	227	-	20,223	20,450
- Transfer to Stage 1: 12-Month ECL	-	-	-	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	-	-	-	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	-	-	-	-
Loans, advances and financing derecognised (other than write off)	(72)	-	(13)	(85)
New loans, advances and financing originated	192	-	13	205
Net remeasurement due to changes in credit risk	1,083	-	(318)	765
Modification to contractual cash flows of loans, advances and financing	-	-	-	-
Amount written off	-	-	-	-
At 31 December 2019	<u>1,430</u>	<u>-</u>	<u>19,905</u>	<u>21,335</u>

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

- (j) Movements in Expected Credit Losses ("ECL") on loans, advances and financing are as follows: (CONTINUED)

**2018**

	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2018	610	3,469	36	4,115
- Transfer to Stage 1: 12-Month ECL	-	-	-	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	-	-	-	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	-	(3,469)	3,469	-
Loans, advances and financing derecognised (other than write off)	(383)	-	-	(383)
New loans, advances and financing originated	-	-	-	-
Net remeasurement due to changes in credit risk	-	-	16,718	16,718
Modification to contractual cash flows of loans, advances and financing	-	-	-	-
Amount written off	-	-	-	-
At 31 December 2018	227	-	20,223	20,450

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

(k) Impaired loans, advances and financing analysed by distribution:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Malaysia	44,829	50,409

(l) Impaired loans, advances and financing analysed by economic purpose:

Purchase of landed property (residential)	27	30
Working capital	44,802	50,379
	<u>44,829</u>	<u>50,409</u>

**6 OTHER ASSETS**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Collateral receivables	12,272	11,134
Intercompany receivables	1,754	2,383
Deposits	36	36
Prepayments	3	116
Other receivables	7,380	9,140
	<u>21,445</u>	<u>22,809</u>

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**7 DERIVATIVE ASSETS**

	2019		2018	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
Foreign exchange forwards and swaps	1,507,972	23,563	1,546,549	12,878
Interest rate and cross currency swaps	3,532,800	16,893	2,837,800	18,619
	<u>5,040,772</u>	<u>40,456</u>	<u>4,384,349</u>	<u>31,497</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:

	2019 RM'000	2018 RM'000
Deferred tax assets	2,595	2,465
Deferred tax liabilities	(560)	(331)
	<u>2,035</u>	<u>2,134</u>

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

	General allowance RM'000	Accelerated tax depreciation RM'000	Financial assets at FVOCI RM'000	ECL RM'000	Total RM'000
At 1 January 2019	2,418	47	(331)	-	2,134
Credited to profit or loss (Note 27)	(120)	(276)	-	297	(99)
At 31 December 2019	<u>2,298</u>	<u>(229)</u>	<u>(331)</u>	<u>297</u>	<u>2,035</u>
At 1 January 2018	1,496	(318)	(331)	-	847
Credited to profit or loss (Note 27)	922	365	-	-	1,287
At 31 December 2018	<u>2,418</u>	<u>47</u>	<u>(331)</u>	<u>-</u>	<u>2,134</u>

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**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.

**10 PROPERTY AND EQUIPMENT**

	Office equipment and furniture RM'000	Computer equipment and software RM'000	Bank Premises alterations RM'000	Right of use asset- Premises RM'000	Total RM'000
<u>2019</u>					
<u>Cost</u>					
At 1 January 2019	9,243	13,356	5,124	-	27,723
- Effects of adopting MFRS 16	-	-	-	2,436	2,436
Restated	9,243	13,356	5,124	2,436	30,159
Additions	405	1,891	-	-	2,296
Written off	(3,985)	(8,666)	(217)	-	(12,868)
At 31 December 2019	<u>5,663</u>	<u>6,581</u>	<u>4,907</u>	<u>2,436</u>	<u>19,587</u>
<u>Accumulated depreciation</u>					
At 1 January 2019	8,321	12,261	5,124	-	25,706
- Effects of adopting MFRS 16	-	-	-	-	-
Amortisation	8,321	12,261	5,124	-	25,706
Charged for the year	-	-	-	665	665
Written off	337	855	-	-	1,192
	(4,041)	(8,610)	(217)	-	(12,868)
At 31 December 2019	<u>4,617</u>	<u>4,506</u>	<u>4,907</u>	<u>665</u>	<u>14,695</u>
<u>Net book value</u>					
At 31 December 2019	<u>1,046</u>	<u>2,075</u>	<u>-</u>	<u>1,771</u>	<u>4,892</u>

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**10 PROPERTY AND EQUIPMENT (CONTINUED)**

	Office equipment and furniture RM'000	Computer equipment and software RM'000	Bank premises alterations RM'000	Right of use asset- Premises RM'000	Total RM'000
<u>2018</u>					
<u>Cost</u>					
At 1 January 2018	8,820	12,706	5,124	-	26,650
Additions	423	650	-	-	1,073
At 31 December 2018	<u>9,243</u>	<u>13,356</u>	<u>5,124</u>	<u>-</u>	<u>27,723</u>
<u>Accumulated depreciation</u>					
At 1 January 2018	7,940	11,797	5,124	-	24,861
Additions	381	464	-	-	845
At 31 December 2018	<u>8,321</u>	<u>12,261</u>	<u>5,124</u>	<u>-</u>	<u>25,706</u>
<u>Net book value</u>					
At 31 December 2018	<u>922</u>	<u>1,095</u>	<u>-</u>	<u>-</u>	<u>2,017</u>

**11 DEPOSITS FROM CUSTOMERS**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Demand deposits	2,500,306	2,239,244
Saving deposits	6	5
Fixed deposits	646,217	748,763
	<u>3,146,529</u>	<u>2,988,012</u>

(a) Maturity structure of fixed deposits is as follows:

Due within six months	637,609	742,501
Six months to one year	6,500	4,156
One year to five years	2,108	1,050
More than five years	-	1,056
	<u>646,217</u>	<u>748,763</u>



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**11 DEPOSITS FROM CUSTOMERS (CONTINUED)**

	<u>2019</u> RM'000	<u>2018</u> RM'000
(b) The deposits are sourced from the following types of customers:		
Business enterprises	3,146,483	2,987,044
Individuals	46	46
Others	-	922
	<u>3,146,529</u>	<u>2,988,012</u>

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
Licensed banks	75,092	680,972
Other financial institutions	1,012	-
	<u>76,104</u>	<u>680,972</u>

**13 OTHER LIABILITIES**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Collateral payables	15,193	21,751
Intercompany payables	32,309	17,961
Deferred income on loans, advances and financing	-	4
Accruals	6,455	6,300
Share-based recharge payables	388	228
Provisions made for ECL	759	729
Lease Liabilities	1,771	-
Other payables	1,201	11,627
	<u>58,076</u>	<u>58,600</u>

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**14 DERIVATIVE LIABILITIES**

	<u>2019</u>		<u>2018</u>	
	<u>Contract/ notional amount</u> RM'000	<u>Liabilities</u> RM'000	<u>Contract/ notional amount</u> RM'000	<u>Liabilities</u> RM'000
Foreign exchange forwards and swaps	1,731,995	26,923	2,765,567	18,167
Interest rate and cross currency swaps	4,676,441	17,603	3,201,300	15,010
	<u>6,408,436</u>	<u>44,526</u>	<u>5,966,867</u>	<u>33,177</u>

**15 SHARE CAPITAL**

	<u>2019</u> RM'000	<u>2018</u> RM'000
135,800,000 ordinary shares	<u>135,800</u>	<u>135,800</u>

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**16 RESERVES**

(i) The statutory reserve is maintained in compliance with Section 12 and Section 47(2)(f) of the Financial Services Act, 2013.

(ii) Movement of the fair value reserve of FVOCI securities is as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
At 1 January	1,047	1,047
Change in value of financial assets at fair value through other comprehensive income (FVOCI)	5	-
At 31 December	<u>1,052</u>	<u>1,047</u>

(iii) On 27 September 2019, BNM issued a revised policy document on Financial Reporting (BNM/RH/PD032-13). There is no change in the regulatory reserve where the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

**17 INTEREST INCOME**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Loans, advances and financing	6,751	8,762
Money at call and deposit placements with banks and other financial institutions	54,151	59,976
Financial assets at FVOCI	4,901	712
	<u>65,803</u>	<u>69,450</u>

**18 INTEREST EXPENSE**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Deposits and placements of banks and other financial institutions	6,182	5,933
Deposits from customers	38,170	25,169
Others	-	1
	<u>44,352</u>	<u>31,103</u>

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**19 NET TRADING INCOME**

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Fair value gain/(loss) on instruments held for trading		
- Debt instruments at FVTPL		
Net gain/(loss) from sale of financial assets at FVTPL	18,451	(1,170)
Unrealised revaluation gain/(loss) on financial assets at FVTPL	331	(916)
- Derivatives financial instruments		
Realised loss on derivatives	(4,352)	(1,477)
Unrealised loss on foreign exchange forwards	(1,187)	(12,315)
Unrealised gain on interest rate and cross currency swaps	2,025	1,621
Interest income from financial assets at FVTPL	69,500	53,059
Realised foreign exchange gain	33,027	51,041
Others	(98)	(51)
	<u>117,697</u>	<u>89,792</u>

**20 OTHER OPERATING INCOME**

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Fee income</u>		
Commission	314	301
Service charges and fees	5,516	5,247
Guarantee fees	1,407	1,208
Management fee income	3,197	5,526
Other fee income	9,502	6,727
	<u>19,936</u>	<u>19,009</u>
Total fee income	19,936	19,009
Others	101	41
	<u>20,037</u>	<u>19,050</u>

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**21 OTHER OPERATING EXPENSES**

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Personnel costs</u>		
Salaries, allowances and bonuses	26,267	23,752
Share-based payment	1,921	1,841
Defined contribution plans	5,008	5,471
Other personnel costs	4,244	4,241
	<u>37,440</u>	<u>35,305</u>
<u>Establishment costs</u>		
Depreciation of property and equipment	1,192	845
Depreciation of right-of-use assets	664	-
Rental of premises	560	1,372
Rental of equipment	496	297
Repair and maintenance	2,211	2,467
Others	2,154	2,218
	<u>7,277</u>	<u>7,199</u>
<u>Marketing expenses</u>		
Business promotion and advertisement	31	27
Others	455	381
	<u>486</u>	<u>408</u>
<u>Administration and general expenses</u>		
Auditors' remuneration		
<u>Current financial year</u>		
- Statutory audit fees	195	195
- Non-audit fees	66	66
<u>Under-accrual from prior financial year</u>		
- Non-audit fees	12	101
	<u>273</u>	<u>362</u>
Communication expenses	1,655	1,866
Legal and professional fees	599	842
Stationery and postages	486	487
Shared administrative support expenses	24,289	21,863
Others	4,582	6,208
	<u>31,884</u>	<u>31,628</u>
	<u>77,087</u>	<u>74,540</u>

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**22 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>2019</u> RM'000	<u>2018</u> RM'000
<u>Executive Director and CEO:</u>		
Raymond Yeoh Cheng Seong		
Salaries	1,496	1,496
Bonus	1,823	1,750
Defined contribution plan	924	1,056
Others	2,154	3,038
<u>Non-Executive Directors:</u>		
Fees		
David Allan Cairns	168	155
Ayesha Natchiar Binti Dato Ally Maricar	135	125
Dato' Mohammed Bin Haji Che Hussein	135	125
Kellee Kam Chee Khiong	135	125
	<u>6,970</u>	<u>7,870</u>

**23 SHARE-BASED PAYMENT**

The Bank participates in several employee compensation plans managed by BAC, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan ('KEEP').

During the year, 15,346 (2018: 11,908) restricted stock units ('RSUs') were granted to certain employees under the KEEP at weighted-average fair value of USD28.91 per share (2018: USD32.08 per share).

Generally, one-third of the RSUs vest on each of the first three anniversaries of the grant date provided that the employee remains continuously employed with the Bank during that time.

The compensation cost for share-based plans is presented in Note 21 to the financial statements.

**24 IMPAIRMENT CHARGE FOR CREDIT LOSSES**

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Allowance for impairment on loans, advances and financing:</u>		
- Expected credit losses	(915)	(16,827)
Impaired loans and financing recovered	23	35
	<u>(892)</u>	<u>(16,792)</u>

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**24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)**

*Measurement of ECL*

The key inputs in the measurement of ECL are the term structure of the following variables:

Probability of default ("PD"):	the likelihood of a borrower defaulting on its financial obligation
Loss given default ("LGD"):	the magnitude of the likely losses if there is a default
Exposure at default ("EAD"):	the expected exposure in the event of a default

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. The Bank generally derives these parameters from internally developed statistical models based on internally compiled data comprising quantitative and qualitative factors, as well as other historical data such as recovery rates of claims against defaulted counterparties.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

*Incorporation of forward-looking information*

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank uses a variety of actual and forecast information to formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank leverages its existing forecasting processes in developing multiple economic scenarios for MFRS 9, internally derived through a Monte Carlo simulation engine. Four economic scenarios have been utilised in order to support an unbiased and probability weighted approach.

The baseline scenario represents a most-likely outcome and is also used by the Bank for other purposes such as strategic planning and budgeting. The other three scenarios capture the non-linearity of possible upside and downside scenarios on the ECL measurement. One upside scenario which represents a moderate versus baseline expansion and two downside scenarios which represents moderate recession and severe recession.

The Bank has identified and documented the key economic assumptions that drive credit risk and credit losses for each portfolio of financial instruments. These economic assumptions include, among other things, corporate bond spreads, gross domestic product growth and unemployment rates. In order to calculate lifetime ECL for loans classified as Stage 2 or Stage 3, the Bank uses existing forecast horizon followed by extrapolation to cover the lifetime of the financial asset.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent the best estimate of the possible outcomes and the chosen scenarios are appropriately representative of the range of possible scenarios.

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**24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)**

*Credit risk ratings*

As part of its risk management process, the Bank assigns numeric risk ratings to its corporate loan facilities based on quantitative and qualitative assessments of the obligor and facility. These risk ratings are reviewed at least annually or more often if material events have occurred related to the obligor or facility.

Credit risk ratings are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk rating. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

*Determining a significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank compares the remaining lifetime PD as at the reporting date with the remaining lifetime PD for this point in time as estimated at the time of initial recognition of the exposure (adjusted as relevant for changes in prepayment expectations). The Bank calculates the remaining lifetime PD using the same methodology, obligor-level data elements, and forecasted macroeconomic scenarios and scenario weights used to calculate ECL. In addition to quantitative review of PD and risk rating changes, qualitative factors leveraging internal credit risk officers' risk assessment are considered as well as a 30 days past due backstop based on delinquency.

*Sensitivity*

The calculation of the ECL allowance is dependent on a number of judgments and estimates as to the inputs and assumptions inherent in the model. Variables around stage determination, scenario weighting, and other macroeconomic forecast assumptions are considered to have the most significant impact on the ECL calculations for the Bank's primary third party loans, advances and financing; and lease population.

As part of these governance processes, the Bank has adopted a framework to assess certain risks, such as concentration of exposure to single names, sectors or geographies, that may not be fully captured in the modelled ECL computation. The results of this assessment are then overlaid to the modelled output to result in the overall ECL provision. Whilst overlays to the modelled output are intended to ensure that the Bank has appropriately captured the risks from which credit losses may be expected to arise, the ECL provision remains sensitive to changes in the model assumptions, for example:

2019

- In relation to stage determination, forcing all loans to Stage 1 and calculating ECL on a 12-month basis would reduce the calculated allowance by RM45,741, whereas moving all loans to the lifetime loss horizon (Stage 2) would increase the ECL allowance by RM767,608.
- Running staging and ECL calculations using only the moderate improvement versus baseline expansion scenario would reduce the calculated ECL allowance by RM132,171, whereas using only the severe recession scenario would increase ECL allowance by RM1,671,882.

2018

- In relation to stage determination, forcing all loans to Stage 1 and calculating ECL on a 12-month basis would reduce the calculated allowance by RM122,476, whereas moving all loans to the lifetime loss horizon (Stage 2 or 3) would increase the ECL allowance by RM135,762.



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**24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)**

- Running staging and ECL calculations using only the strong inflationary expansion scenario would reduce the calculated ECL allowance by RM201,208, whereas using only the moderate recession scenario would increase ECL allowance by RM447,221.

Note that this disclosure is intended to illustrate the relative sensitivity of the ECL allowance calculation to multiple variables and is not predictive or indicative of future loss experience.

*Collective based and other loss allowance assessment*

The primary credit exposures of the Bank falling within the impairment provisions of MFRS 9 relate to the Bank's portfolio of loans and advances to third party customers and banks, as well as its third party loan commitments. Loss allowances for these financial instruments is modelled on an instrument by instrument basis, determining the relevant PD, LGD and EAD using statistical data as described above and throughout this note.

For other financial instruments the Bank assesses the ECL on either a collective or an individual basis using a reduced-complexity calculation, whilst still incorporating as relevant quantitative historical loss experience data and forward-looking information as well as qualitative information as to the nature of risks inherent in the instruments.

**25 SIGNIFICANT RELATED PARTY DISCLOSURES**

- (a) Related parties and relationships

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

<u>Related parties</u>	<u>Relationship</u>
Bank of America Corporation	Ultimate holding company
Bank of America, National Association	Immediate holding company
Bank of America, National Association - New York Branch	Branch of the immediate holding company
Bank of America, National Association - Charlotte Branch	Branch of the immediate holding company
Bank of America, National Association - San Francisco Branch	Branch of the immediate holding company
Bank of America, National Association - Labuan Branch	Branch of the immediate holding company
Bank of America, National Association - Singapore Branch	Branch of the immediate holding company
Bank of America, National Association - London Branch	Branch of the immediate holding company

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**25 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 - Canada Branch	Branch of the immediate holding company
Bank of America, National Association - Bangkok Branch	Branch of the immediate holding company
Bank of America, National Association - Jakarta Branch	Branch of the immediate holding company
Bank of America, National Association - Mumbai Branch	Branch of the immediate holding company
Bank of America, National Association - Sydney Branch	Branch of the immediate holding company
Bank of America, National Association - Tokyo Branch	Branch of the immediate holding company
Bank of America, National Association - Hong Kong Branch	Branch of the immediate 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 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 personnel (deemed as related to the 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>

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**25 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:

	2019		2018	
	Key Management Personnel	Other Related Companies	Key Management Personnel	Other Related Companies
	RM'000	RM'000	RM'000	RM'000
<u>Income</u>				
Interest on deposits and placements with other financial institutions	-	1,511	-	1,974
Management fee income	-	3,197	-	5,526
Other fee income	-	8,584	-	5,671
	-	13,292	-	13,171
<u>Expenses</u>				
Interest on deposits and placements of banks and other financial institutions	-	6,101	-	5,631
Interest on deposits from Customers	-	161	-	217
Shared administrative support expenses	-	24,289	-	21,863
	-	30,551	-	27,711
<u>Amount due from</u>				
Deposits and placements	-	120,397	-	62,755
Loans, advances and financing	-	-	212	-
Other receivables	-	1,754	-	1,237
	-	122,151	212	63,992
<u>Amount due to</u>				
Deposits and placements	-	84,123	-	661,605
Interest payable	-	90	-	1,531
Other payables	-	32,309	-	16,524
	-	116,522	-	679,660
<u>Approved limit</u>				
			2019	2018
			RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel			-	500

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

- (c) Intercompany charges with breakdown by type of services received and geographical distribution.

Intercompany charges below are presented in accordance with the requirements of Paragraph 11.4(u) of Bank Negara Malaysia's Policy Document on Financial Reporting BNM/RH/PD 032-13 dated 27 September 2019.

2019

<u>Type of service</u>	<u>Singapore</u> RM'000	<u>Hong Kong</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
- Legal entity shared service#	5,834	8,921	3,290	18,045
- Global Transaction Services*	1,795	1,417	-	3,212
- Regional management^	1,910	888	143	2,941
- Others	89	-	-	89
	<u>9,628</u>	<u>11,226</u>	<u>3,433</u>	<u>24,287</u>

2018

<u>Type of service</u>	<u>Singapore</u> RM'000	<u>Hong Kong</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
- Legal entity shared service#	4,278	7,999	2,821	15,098
- Global Transaction Services*	2,016	1,601	-	3,617
- Regional management^	2,160	988	-	3,148
	<u>8,454</u>	<u>10,588</u>	<u>2,821</u>	<u>21,863</u>

# Legal entity shared expense "LESE" covers support services for Back office and IT base support, Strategic management, Risk management and Software development.

\* Global Transaction Services "GTS" provides regional sales, coverage and business support.

^ Regional management provides regional support for initiatives to help the country heads coordinate and drive business strategies and align governance across Lines of Business.

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

(d) Key management personnel

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
Short-term employee benefits:		
Salaries and other remuneration	10,291	10,909
Fees	573	530
	<u>10,864</u>	<u>11,439</u>

The above remuneration includes Directors' remuneration as disclosed in Note 22 to the financial statements.

**26 Credit Transactions and Exposures with Connected Parties**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Outstanding total exposure with connected parties	49,116	-
Total credit exposures	<u>49,116</u>	<u>-</u>
Total exposure to connected parties as % of total capital	<u>6.74%</u>	<u>-</u>
Total exposure to connected parties as % of total outstanding credit exposures	<u>1.41%</u>	<u>-</u>

As required by BNM policy, the revised guidelines on "Credit Transactions and Exposures with Connected Parties" issued on 16 July 2014 BNM/RH/GL 001-25, which sets out the broad parameters and conditions relating to the conduct of such transactions (hereafter referred to as credit transactions) with connected parties to ensure an appropriate level of prudence

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**27 TAXATION**

	<u>2019</u> RM'000	<u>2018</u> RM'000
Malaysian income tax:		
Current financial year	19,883	16,361
Under/(Over) provision of prior financial year's taxation	1,024	(1,070)
Deferred taxation (Note 8)	99	(1,287)
Tax charge for the financial year	<u>21,006</u>	<u>14,004</u>

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

	<u>2019</u> RM'000	<u>2018</u> RM'000
Profit before taxation	<u>81,206</u>	<u>55,857</u>
Tax calculated at rate of 24% (2018: 24%)	19,489	13,406
Expenses not deductible for tax purposes	493	1,728
Over provision of deferred taxation in prior financial years	-	(60)
Under/(Over) provision of prior financial year's taxation	1,024	(1,070)
Tax expense for the financial year	<u>21,006</u>	<u>14,004</u>

**28 EARNINGS PER SHARE**

The earnings per share has been calculated based on net profit for the financial year of RM60,199,601 (2018: RM41,853,684) and the weighted average number of ordinary shares in issue during the financial year of RM135,800,000 (2018: RM135,800,000).

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**29 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.

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.

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**29 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The commitments and contingencies constitute the followings:

<u>Description</u>	31 December 2019			31 December 2018		
	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
Direct credit substitutes	112,378	111,700	104,501	104,392	104,094	102,113
Transaction related contingent items	23,736	11,800	9,769	35,227	17,564	15,727
Short term self-liquidating trade related contingencies	11,167	2,220	2,220	10,076	2,009	2,009
Foreign exchange related contracts:						
- One year or less	3,243,074	64,185	42,303	4,302,440	54,376	26,722
- Over one year to five years	77,063	2,266	2,266	9,676	677	677
Interest/Profit rate related contracts:						
- One year or less	2,981,000	9,321	2,763	2,143,000	3,352	1,347
- Over one year to five years	4,990,600	58,900	35,905	3,708,600	48,595	19,315
- Over five years	157,500	6,786	2,828	187,500	7,997	3,591
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	-	-	674,267	134,478	134,478
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	-	-	13	7	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	833,395	-	-	1,224	-	-
<b>Total</b>	<b>12,429,913</b>	<b>267,178</b>	<b>202,555</b>	<b>11,176,415</b>	<b>373,149</b>	<b>305,981</b>



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**30 CAPITAL ADEQUACY**

The table below summaries the composition of regulatory capital and ratio of the Bank:

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>Common Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Retained profits	596,032	532,441
- effects of adoption of MFRS 9	-	3,391
Other disclosed reserves		
- Statutory reserve	-	-
Unrealised gains and losses on available for sale financial instruments	1,052	1,047
	<u>732,884</u>	<u>672,679</u>
Less: regulatory adjustments		
- Deferred tax assets	(2,035)	(2,134)
- 55% of cumulative gains of available for sale financial instruments	(579)	(576)
- Regulatory reserve	(1,287)	(2,679)
Total CET I and Tier I capital	<u>728,983</u>	<u>667,290</u>
<u>Tier-II Capital</u>		
Loss allowance for non-credit impaired exposures/Collective assessment allowance*	2,189	956
Regulatory reserve	1,287	2,679
Total Tier II capital	<u>3,476</u>	<u>3,635</u>
Total capital	<u>732,459</u>	<u>670,925</u>

\* Excludes Lifetime ECL Credit Impaired (Stage 3) loans/collective assessment allowance on impaired loans restricted from Tier-II Capital of BAMB of RM19,904,701 (2018: RM20,222,870).

Capital ratios

	<u>2019</u>	<u>2018</u>
CET I capital ratio	53.424%	61.327%
Tier I capital ratio	53.424%	61.327%
Total capital ratio	<u>53.679%</u>	<u>61.661%</u>

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**30 CAPITAL ADEQUACY (CONTINUED)**

Total capital and capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) guidelines issued on 2 February 2018. 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 30 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:

		2019		2018	
		<u>Principal</u>	<u>Risk-</u>	<u>Principal</u>	<u>Risk-</u>
		<u>RM'000</u>	<u>weighted</u>	<u>RM'000</u>	<u>weighted</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(i)	Credit risk				
	0%	2,222,694	-	2,129,292	-
	20%	690,850	138,170	124,833	24,967
	35%	121	42	220	77
	50%	46,521	23,261	50,386	25,193
	75%	-	-	-	-
	100%	437,663	437,663	421,923	421,923
		3,397,849	599,136	2,726,654	472,160
(ii)	Market risk	-	492,372	-	373,887
(iii)	Operational risk	-	273,018	-	242,037
		3,397,849	1,364,526	2,726,654	1,088,084

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**31 USE OF FINANCIAL INSTRUMENTS**

A Financial instruments by category

	Financial assets/liabilities measured at <u>amortised cost</u> RM'000	Financial assets/liabilities at fair value through profit or loss RM'000	2019 Financial assets/liabilities at fair value through other comprehensive income RM'000
<u>Financial assets</u>			
Cash and short term funds	2,736,001	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	900,961	-
Financial assets at fair value through other comprehensive income (FVOCI)	-	-	102,576
Loans, advances and financing	248,512	-	-
Other assets	21,445	-	-
Derivative assets	40,456	-	-
Total	<u>3,046,414</u>	<u>900,961</u>	<u>102,576</u>
<u>Financial liabilities</u>			
Deposits from customers	3,146,529	-	-
Deposits and placements of banks and other financial institutions	76,104	-	-
Bills and acceptances payable	18,482	-	-
Other liabilities	58,076	-	-
Derivative liabilities	-	44,526	-
Total	<u>3,299,191</u>	<u>44,526</u>	<u>-</u>

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

	Financial assets/liabilities measured at amortised cost RM'000	Financial assets/liabilities at fair value through profit or loss RM'000	2018 Financial assets/liabilities at fair value through other comprehensive income RM'000
<u>Financial assets</u>			
Cash and short term funds	2,177,387	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	2,071,907	-
Financial assets at fair value through other comprehensive income (FVOCI)	-	-	52,923
Loans, advances and financing	134,594	-	-
Other assets	22,809	-	-
Derivative assets	31,497	-	-
<b>Total</b>	<b>2,366,287</b>	<b>2,071,907</b>	<b>52,923</b>
<u>Financial liabilities</u>			
Deposits from customers	2,988,012	-	-
Deposits and placements of banks and Other financial institutions	680,972	-	-
Bills and acceptances payable	27,258	-	-
Other liabilities	58,600	-	-
Derivative liabilities	-	33,177	-
<b>Total</b>	<b>3,754,842</b>	<b>33,177</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**B Financial risk management objectives and policies**

The financial risk management objectives and policies of the Bank are managed by the various risk committees within the Bank, 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 the Bank'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 the Bank to various risks, such as interest rate and foreign exchange. The Bank 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.

The Bank 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.

The Bank'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, the Bank also uses stress testing to estimate the value change in the trading portfolio that may result from extreme, though plausible, market movements. Within the Bank, 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.

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

**B 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 the Bank 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;
- Monitoring performance by updating the customer analysis and reviewing periodically;
- Monitoring collateral;
- Undertaking periodic portfolio reviews to ensure management is aware of borrower specific trends for a given portfolio;
- Recognizing developing problems and promptly bringing them to the attention of management;
- Taking prompt corrective action on past due and non-accrual loans;
- 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 the Bank can meet contractual and contingent financial obligations through market cycles and periods of liquidity stress. With the Bank Liquidity Risk Policy and Contingency Funding Plan, the Bank will ensure that adequate internal governance, controls, systems and risk management practices are employed to manage this liquidity risk.

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

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

Liquidity risk management (continued)

The Bank has in place the following liquidity risk mitigation:

- The liquidity risk policy and the contingency funding plan are in place and reviewed at least annually;
- Liquidity Limits and Early Warning Indicators are in place and monitored daily;
- Local governance is provided through the Asset and Liability Committee (“ALCO”), which meets on a quarterly basis and is provided with regular updates on market conditions and liquidity-related reporting;
- Liquidity stress tests are conducted regularly, both for regulatory purposes and internal stress-testing;
- 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.

The Bank has a robust operational risk management framework. Within the Bank, 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.

**C Interest rate risk**

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

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

**C Interest rate risk (continued)**

	Up to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 12 <u>months</u> RM'000	>1 - 5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	Non- interest <u>bearing</u> RM'000	Trading <u>book</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>								
Cash and short term funds	2,595,573	-	-	-	-	140,428	-	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	900,961	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	-	-	-	-	2,980	-	102,576
Loans, advances and financing	224,620	11,186	18,394	15,137	510	(21,335)	-	248,512
Other assets	-	-	-	-	-	21,445	-	21,445
Derivative assets	-	-	-	-	-	-	40,456	40,456
Tax recoverable	-	-	9,722	-	-	-	-	9,722
Deferred tax assets	-	-	2,035	-	-	-	-	2,035
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	10,001	-	10,001
Property and equipment	-	-	-	-	-	4,892	-	4,892
<b>Total assets</b>	<b>2,919,789</b>	<b>11,186</b>	<b>30,151</b>	<b>15,137</b>	<b>510</b>	<b>158,411</b>	<b>941,417</b>	<b>4,076,601</b>



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

**C Interest rate risk (continued)**

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
<u>2019</u>								
<u>Liabilities</u>								
Deposits from customers	1,797,175	95,430	6,501	2,108	-	1,245,315	-	3,146,529
Deposits and placements of banks and other financial institutions	1,013	61,484	-	-	-	13,607	-	76,104
Bills and acceptances payable	-	-	-	-	-	18,482	-	18,482
Other liabilities	-	-	-	-	-	58,076	-	58,076
Derivative liabilities	-	-	-	-	-	-	44,526	44,526
Total liabilities	<u>1,798,188</u>	<u>156,914</u>	<u>6,501</u>	<u>2,108</u>	<u>-</u>	<u>1,335,480</u>	<u>44,526</u>	<u>3,343,717</u>
On-balance sheet - interest rate gap	<u>1,121,601</u>	<u>(145,728)</u>	<u>23,650</u>	<u>13,029</u>	<u>510</u>			

^ 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.

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

**C Interest rate risk (continued)**

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
<u>Assets</u>								
Cash and short term funds	2,014,466	-	-	-	-	102,921	-	2,117,387
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	-	2,071,907	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	49,928	-	-	-	-	2,995	-	52,923
Loans, advances and financing	113,074	7,086	17,758	16,361	765	(20,450)	-	134,594
Other assets	-	-	-	-	-	22,809	-	22,809
Derivative assets	-	-	-	-	-	-	31,497	31,497
Tax recoverable	-	-	8,630	-	-	-	-	8,630
Deferred tax assets	-	-	2,134	-	-	-	-	2,134
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	16,800	-	16,800
Property and equipment	-	-	-	-	-	2,017	-	2,017
<b>Total assets</b>	<b>2,177,468</b>	<b>7,086</b>	<b>28,522</b>	<b>16,361</b>	<b>765</b>	<b>127,092</b>	<b>2,103,404</b>	<b>4,460,698</b>

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

**C Interest rate risk (continued)**

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000	Trading book RM'000	Total RM'000
<u>Liabilities</u>								
Deposits from customers	1,018,924	11,370	1,503	1,056	-	1,955,159	-	2,988,012
Deposits and placements of banks and other financial institutions	-	627,119	-	-	-	53,853	-	680,972
Bills and acceptances payable	-	-	-	-	-	27,258	-	27,258
Other liabilities	-	-	-	-	-	58,600	-	58,600
Derivative liabilities	-	-	-	-	-	-	33,177	33,177
<b>Total liabilities</b>	<b>1,018,924</b>	<b>638,489</b>	<b>1,503</b>	<b>1,056</b>	<b>-</b>	<b>2,094,870</b>	<b>33,177</b>	<b>3,788,019</b>
On-balance sheet - interest rate gap	1,158,544	(631,403)	27,019	15,305	765			

^ 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.

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

**C 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:

	2019		2018	
	MYR %	USD %	MYR %	USD %
<u>Financial assets</u>				
Cash and short term funds	2.97	1.57	3.19	2.25
Securities held for trading	3.84	-	2.29	-
Loans, advances and financing	4.40	4.08	4.98	4.99
<u>Financial liabilities</u>				
Deposits from customers	1.70	0.19	2.78	1.51
Deposits and placements of bank and other financial institutions	1.50	1.76	-	2.52

**D Liquidity risk**

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

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 and conducts regular stress-testing to ensure that it will be able to meet its obligations when they come due.

Contractual maturity of assets and liabilities

The Bank analyses its assets and liabilities (including non-financial instruments) based on the remaining contractual maturity in accordance with the requirements of "BNM Guidelines on Financial Reporting for Banking Institutions" (BNM/RH/PD 032-13) issued on 27 September 2019.

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

D Liquidity risk (continued)

Contractual maturity of assets and liabilities

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2019</u>								
<u>Assets</u>								
Cash and short term funds	2,736,001	-	-	-	-	-	-	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	264,813	3,243	632,905	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	-	-	-	-	-	2,980	102,576
Loans, advances and financing	5,016	198,579	11,113	13,601	4,676	15,527	-	248,512
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	10,001	10,001
Other assets	-	-	-	-	-	-	38,094	38,094
Derivative assets	1,475	7,397	11,185	4,449	6,698	9,252	-	40,456
	<u>2,842,088</u>	<u>205,976</u>	<u>22,298</u>	<u>282,863</u>	<u>14,617</u>	<u>657,684</u>	<u>51,075</u>	<u>4,076,601</u>

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

D Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2019</u>								
<u>Liabilities</u>								
Deposits from customers	2,783,399	259,092	95,430	6,500	-	2,108	-	3,146,529
Deposits and placements of banks and other financial institutions	14,620	-	61,484	-	-	-	-	76,104
Bills and acceptances payable	18,482	-	-	-	-	-	-	18,482
Other liabilities	-	-	-	-	-	-	58,076	58,076
Derivative liabilities	1,658	5,050	7,147	8,238	9,745	12,688	-	44,526
	<u>2,818,159</u>	<u>264,142</u>	<u>164,061</u>	<u>14,738</u>	<u>9,745</u>	<u>14,796</u>	<u>58,076</u>	<u>3,343,717</u>
Net liquidity gap	<u>23,929</u>	<u>(58,166)</u>	<u>(141,763)</u>	<u>268,125</u>	<u>4,872</u>	<u>642,888</u>	<u>(7,001)</u>	<u>732,884</u>

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

D Liquidity risk (continued)

Contractual maturity of assets and liabilities

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2018</u>								
<u>Assets</u>								
Cash and short term funds	2,117,387	-	-	-	-	-	-	2,117,387
Financial assets at fair value through profit or loss (FVTPL)	249,957	556,057	167,594	2,514	430,894	664,891	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	49,928	-	-	-	-	15	2,980	52,923
Loans, advances and financing	37,528	55,244	7,068	2,904	14,802	17,048	-	134,594
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	16,800	16,800
Other assets	-	-	-	-	-	-	35,590	35,590
Derivative assets	1,495	5,717	1,260	3,624	1,959	17,442	-	31,497
	<u>2,456,295</u>	<u>617,018</u>	<u>175,922</u>	<u>9,042</u>	<u>447,655</u>	<u>699,396</u>	<u>55,370</u>	<u>4,460,698</u>

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

D Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2018</u>								
<u>Liabilities</u>								
Deposits from customers	2,390,648	582,385	11,370	1,503	-	2,106	-	2,988,012
Deposits and placements of banks and other financial institutions	55,379	625,593	-	-	-	-	-	680,972
Bills and acceptances payable	27,258	-	-	-	-	-	-	27,258
Other liabilities	-	-	-	-	-	-	58,600	58,600
Derivative liabilities	1,262	7,800	4,122	1,961	1,217	16,815	-	33,177
	<u>2,474,547</u>	<u>1,215,778</u>	<u>15,492</u>	<u>3,464</u>	<u>1,217</u>	<u>18,921</u>	<u>58,600</u>	<u>3,788,019</u>
Net liquidity gap	<u>(18,252)</u>	<u>(598,760)</u>	<u>160,430</u>	<u>5,578</u>	<u>446,438</u>	<u>680,475</u>	<u>(3,230)</u>	<u>672,679</u>



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

D 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.

<u>2019</u>	<u>Up to 1 week RM'000</u>	<u>&gt;1 week to 1 month RM'000</u>	<u>&gt;1 - 3 months RM'000</u>	<u>&gt;3 - 6 months RM'000</u>	<u>&gt;6 - 12 months RM'000</u>	<u>Over 1 year RM'000</u>	<u>No specific maturity RM'000</u>	<u>Total RM'000</u>
<u>Liabilities</u>								
Deposits from customers	2,783,497	259,388	95,727	6,576	-	1,062	-	3,146,250
Deposits and placements of banks and other financial institutions	14,620	-	61,484	-	-	-	-	76,104
Bills and acceptances payable	18,482	-	-	-	-	-	-	18,482
Other liabilities <sup>^</sup>	-	-	-	-	-	-	58,076	58,076
	<u>2,816,599</u>	<u>259,388</u>	<u>157,211</u>	<u>6,576</u>	<u>-</u>	<u>1,062</u>	<u>58,076</u>	<u>3,298,912</u>

<sup>^</sup> Excludes deferred income on loans, advances and financing.

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

D Liquidity risk (continued)

Non-derivative financial liabilities (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<u>2018</u>								
<u>Liabilities</u>								
Deposits from customers	2,390,680	583,465	11,416	1,516	-	1,062	-	2,988,139
Deposits and placements of banks and other financial institutions	55,379	625,593	-	-	-	-	-	680,972
Bills and acceptances payable	27,258	-	-	-	-	-	-	27,258
Other liabilities <sup>^</sup>	-	-	-	-	-	-	58,596	58,596
	<u>2,473,317</u>	<u>1,209,058</u>	<u>11,416</u>	<u>1,516</u>	<u>-</u>	<u>1,062</u>	<u>58,596</u>	<u>3,754,965</u>

<sup>^</sup> Excludes deferred income on loans, advances and financing.

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

**D Liquidity risk (continued)**

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

	2019			2018		
	One year or less RM'000	Over one year RM'000	Total RM'000	One year or less RM'000	Over one year RM'000	Total RM'000
Direct credit substitutes	2	112,376	112,378	-	104,392	104,392
Transaction related contingent items	389	23,347	23,736	6,321	28,906	35,227
Short-term self-liquidating trade related Contingencies	2,474	8,693	11,167	1,186	8,890	10,076
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	-	-	674,267	-	674,267
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	833,395	-	833,395	1,224	13	1,237
	<u>836,260</u>	<u>144,416</u>	<u>980,676</u>	<u>682,998</u>	<u>142,201</u>	<u>825,199</u>

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

D 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.

<u>2019</u>	Up to <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	<u>Total</u> RM'000
<u>Gross-settled derivatives:</u>							
<u>Forwards and swaps</u>							
Receipts	2,332,293	724,082	1,020,280	836,698	252,967	912,721	6,079,041
Payments	(2,339,067)	(721,936)	(1,002,588)	(587,580)	(254,873)	(98,584)	(5,004,628)
	(6,774)	2,146	17,692	249,118	(1,906)	814,137	1,074,413
<u>Interest rate and cross currency swaps</u>							
Receipts	-	1,980	25,185	16,865	141,553	316,806	502,389
Payments	-	(1,699)	(25,487)	(16,335)	(139,034)	(319,036)	(501,591)
	-	281	(302)	530	2,519	(2,230)	798
	(6,774)	2,427	17,390	249,648	613	811,907	1,075,211

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

D Liquidity risk (continued)

Derivative financial liabilities (continued)

2018	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	Total RM'000
<u>Gross-settled derivatives:</u>							
<u>Forwards and swaps</u>							
Receipts	1,704,337	4,003,355	921,913	377,725	521,613	759,804	8,288,747
Payments	(1,452,314)	(3,454,292)	(759,746)	(376,178)	(73,327)	(19,010)	(6,134,867)
	252,023	549,063	162,167	1,547	448,286	740,794	2,153,880
<u>Interest rate and cross currency swaps</u>							
Receipts	-	1,778	5,934	8,467	30,247	289,766	336,192
Payments	-	(1,778)	(6,172)	(8,379)	(30,295)	(288,924)	(335,548)
	-	-	(238)	88	(48)	842	644
	252,023	549,063	161,929	1,635	448,238	741,636	2,154,524

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

**E Currency risk**

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

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

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2019</u>							
<u>Assets</u>							
Cash and short term funds	1,849,538	792,542	28,636	8,688	11,734	44,863	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	900,961	-	-	-	-	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	102,576	-	-	-	-	-	102,576
Loans, advances and financing	155,308	93,204	-	-	-	-	248,512
Other assets	8,053	13,392	-	-	-	-	21,445
Derivative assets	40,456	-	-	-	-	-	40,456
Statutory deposits with Bank Negara Malaysia	10,001	-	-	-	-	-	10,001
	<u>3,066,893</u>	<u>899,138</u>	<u>28,636</u>	<u>8,688</u>	<u>11,734</u>	<u>44,863</u>	<u>4,059,952</u>

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

**E Currency risk (continued)**

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2019</u>							
<u>Liabilities</u>							
Deposits from customers	1,954,928	1,152,122	3,076	188	1,041	35,174	3,146,529
Deposits and placements of banks and other financial institutions	14,620	61,484	-	-	-	-	76,104
Bills and acceptances payable	12,683	5,799	-	-	-	-	18,482
Other liabilities	21,668	36,401	-	-	-	7	58,076
Derivative liabilities	44,526	-	-	-	-	-	44,526
	<u>2,048,425</u>	<u>1,255,806</u>	<u>3,076</u>	<u>188</u>	<u>1,041</u>	<u>35,181</u>	<u>3,343,717</u>
Currency gap	<u>1,018,468</u>	<u>(356,668)</u>	<u>25,560</u>	<u>8,500</u>	<u>10,693</u>	<u>9,682</u>	

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

**E Currency risk (continued)**

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2018</u>							
<u>Assets</u>							
Cash and short term funds	1,639,460	422,504	3,381	606	10,863	40,573	2,117,387
Financial assets at fair value through profit or loss (FVTPL)	2,071,907	-	-	-	-	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	52,923	-	-	-	-	-	52,923
Loans, advances and financing	93,141	41,453	-	-	-	-	134,594
Other assets	1,420	21,389	-	-	-	-	22,809
Derivative assets	31,497	-	-	-	-	-	31,497
Statutory deposits with Bank Negara Malaysia	16,800	-	-	-	-	-	16,800
	<u>3,907,148</u>	<u>485,346</u>	<u>3,381</u>	<u>606</u>	<u>10,863</u>	<u>40,573</u>	<u>4,447,917</u>



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

**E Currency risk (continued)**

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>SGD</u> RM'000	<u>GBP</u> RM'000	<u>AUD</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2018</u>							
<u>Liabilities</u>							
Deposits from customers	1,755,222	1,195,486	2,603	1	3,444	31,256	2,988,012
Deposits and placements of banks and other financial institutions	53,854	627,118	-	-	-	-	680,972
Bills and acceptances payable	19,487	7,771	-	-	-	-	27,258
Other liabilities	13,576	45,016	-	8	-	-	58,600
Derivative liabilities	33,177	-	-	-	-	-	33,177
	<u>1,875,316</u>	<u>1,875,391</u>	<u>2,603</u>	<u>9</u>	<u>3,444</u>	<u>31,256</u>	<u>3,788,019</u>
Currency gap	<u>2,031,832</u>	<u>(1,390,045)</u>	<u>778</u>	<u>597</u>	<u>7,419</u>	<u>9,317</u>	

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

**F 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>2019</u> RM'000	<u>2018</u> RM'000
<u>Assets</u>			
Cash and short term funds*	2	2,734,147	2,115,684
Financial assets at fair value through profit or loss (FVTPL)	3	900,961	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	4	99,596	49,943
Loans, advances and financing <sup>^</sup>	5	248,512	134,594
Other assets	6	21,442	22,693
Derivative assets	7	40,456	31,497
Total assets*		<u>4,045,114</u>	<u>4,426,318</u>
Commitments and contingencies		<u>12,429,913</u>	<u>11,176,415</u>
Total credit exposure		<u><u>16,475,027</u></u>	<u><u>15,602,733</u></u>

<sup>^</sup> Net of collective impairment and individual impairment of RM21,334,452 (2018: RM20,449,720).

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

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.

Concentration risk by geographical sectors

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).

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

F Credit risk (continued)

Concentration risk by geographical sectors (continued)

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.

<u>2019</u>	<u>Malaysia</u> RM'000	<u>United States</u> RM'000	<u>India</u> RM'000	<u>Singapore</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Cash and short term funds	2,613,209	27,017	79	28,636	65,206	2,734,147
Financial assets at fair value through profit or loss (FVTPL)	900,961	-	-	-	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	-	-	-	-	99,596
Loans, advances and financing	248,512	-	-	-	-	248,512
Other assets	21,442	-	-	-	-	21,442
Derivative assets	24,719	5,001	-	10,278	458	40,456
On Balance Sheet total	3,908,439	32,018	79	38,914	65,664	4,045,114
Commitments and contingencies	9,014,634	631,278	-	551,442	2,232,559	12,429,913
Total credit exposure	12,923,073	663,296	79	590,356	2,298,223	16,475,027

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

F Credit risk (continued)

Concentration risk by geographical sectors (continued)

<u>2018</u>	<u>Malaysia</u> RM'000	<u>United</u> <u>States</u> RM'000	<u>India</u> RM'000	<u>Singapore</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Cash and short term funds	2,052,222	8,040	258	3,381	51,783	2,115,684
Financial assets at fair value through profit or loss (FVTPL)	2,071,907	-	-	-	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	49,943	-	-	-	-	49,943
Loans, advances and financing	134,594	-	-	-	-	134,594
Other assets	22,693	-	-	-	-	22,693
Derivative assets	26,543	2,592	-	2,337	25	31,497
On Balance Sheet total	<u>4,357,902</u>	<u>10,632</u>	<u>258</u>	<u>5,718</u>	<u>51,808</u>	<u>4,426,318</u>
Commitments and contingencies	<u>10,234,586</u>	<u>301,456</u>	<u>-</u>	<u>627,105</u>	<u>13,268</u>	<u>11,176,415</u>
Total credit exposure	<u><u>14,592,488</u></u>	<u><u>312,088</u></u>	<u><u>258</u></u>	<u><u>632,823</u></u>	<u><u>65,076</u></u>	<u><u>15,602,733</u></u>

^ Net of collective impairment and individual impairment of RM21,334,452 (2018: RM20,449,720)

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

F Credit risk (continued)

Concentration risk by economic sectors

	Mining and quarrying RM'000	Manufac- turing RM'000	General comm- erce RM'000	Education, health and others RM'000	Finance, insurance and business services RM'000	Govern- ment and govern- ment agencies RM'000	Cons- truction RM'000	Purchase of resi- dential landed property, securities and transport vehicles RM'000	Others RM'000	Total RM'000
<u>2019</u>										
Cash and short term funds	-	-	-	-	632,627	2,101,520	-	-	-	2,734,147
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	900,961	-	-	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	99,596	-	-	-	99,596
Loans, advances and financing	24,924	127,304	1,288	-	94,312	-	-	679	5	248,512
Other assets	-	-	-	-	21,442	-	-	-	-	21,442
Derivative assets	-	5,801	-	-	34,562	-	93	-	-	40,456
On Balance Sheet total	24,924	133,105	1,288	-	782,943	3,102,077	93	679	5	4,045,114
Commitments and contingencies	-	653,325	29,866	-	10,866,303	20,498	26,526	833,395	-	12,429,913
Total credit exposure	24,924	786,430	31,154	-	11,649,246	3,122,575	26,619	834,074	5	16,475,027

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

F Credit risk (continued)

Concentration risk by economic sectors (continued)

	Mining and quarrying RM'000	Manufac- turing RM'000	General comm- erce RM'000	Education, health and others RM'000	Finance, insurance and business services RM'000	Govern- ment and govern- ment agencies RM'000	Cons- truction RM'000	Purchase of resi- dential landed property, securities and transport vehicles RM'000	Others RM'000	Total RM'000
<u>2018</u>										
Cash and short term funds	-	-	-	-	63,469	2,052,215	-	-	-	2,115,684
Financial assets at fair value through profit or loss (FVTPL)	-	-	-	-	-	2,071,907	-	-	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	-	-	-	-	-	49,943	-	-	-	49,943
Loans, advances and financing	31,404	50,724	4,805	9,647	23,684	-	13,274	1,045	11	134,594
Other assets	-	-	-	-	22,693	-	-	-	-	22,693
Derivative assets	-	3,260	-	-	28,237	-	-	-	-	31,497
On Balance Sheet total	31,404	53,984	4,805	9,647	138,083	4,174,065	13,274	1,045	11	4,426,318
Commitments and contingencies	61,020	924,229	53,062	1,500	10,094,067	2,000	39,300	1,224	13	11,176,415
Total credit exposure	92,424	978,213	57,867	11,147	10,232,150	4,176,065	52,574	2,269	24	15,602,733

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

F Credit risk (continued)

Credit quality analysis

	<u>AAA to B</u> RM'000	<u>B-</u> RM'000	<u>CCC and lower</u> RM'000	<u>Not rated</u> RM'000	<u>Total gross amount</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Total net amount</u> RM'000
<u>2019</u>							
Cash and short term funds	2,736,001	-	-	-	2,736,001	-	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	900,961	-	-	-	900,961	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	102,576	-	-	-	102,576	-	102,576
Loans, advances and financing	225,018	-	44,829	-	269,847	(21,335)	248,512
Other assets	-	-	-	21,445	21,445	-	21,445
Derivative assets	-	-	-	40,456	40,456	-	40,456
Tax recoverable	-	-	-	9,722	9,722	-	9,722
Deferred tax assets	-	-	-	2,035	2,035	-	2,035
Statutory deposits with Bank Negara Malaysia	10,001	-	-	-	10,001	-	10,001
Property and equipment	-	-	-	4,892	4,892	-	4,892
	<u>3,974,557</u>	<u>-</u>	<u>44,829</u>	<u>78,550</u>	<u>4,097,936</u>	<u>(21,335)</u>	<u>4,076,601</u>

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

F Credit risk (continued)

Credit quality analysis (continued)

	<u>AAA to B</u> RM'000	<u>B-</u> RM'000	<u>CCC and lower</u> RM'000	<u>Not rated</u> RM'000	<u>Total gross amount</u> RM'000	<u>Impairment allowance</u> RM'000	<u>Total net amount</u> RM'000
<u>2018</u>							
Cash and short term funds	2,117,387	-	-	-	2,117,387	-	2,117,387
Financial assets at fair value through profit or loss (FVTPL)	2,071,907	-	-	-	2,071,907	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)	52,923	-	-	-	52,923	-	52,923
Loans, advances and financing	103,409	-	50,416	1,219	155,044	(20,450)	134,594
Other assets	-	-	-	22,809	22,809	-	22,809
Derivative assets	-	-	-	31,497	31,497	-	31,497
Tax recoverable	-	-	-	8,630	8,630	-	8,630
Deferred tax assets	-	-	-	2,134	2,134	-	2,134
Statutory deposits with Bank Negara Malaysia	16,800	-	-	-	16,800	-	16,800
Property and equipment	-	-	-	2,017	2,017	-	2,017
	<u>4,362,426</u>	<u>-</u>	<u>50,416</u>	<u>68,306</u>	<u>4,481,148</u>	<u>(20,450)</u>	<u>4,460,698</u>



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

F Credit risk (continued)

Loans, advances and financing

	<u>2019</u> RM'000	<u>2018</u> RM'000
Neither past due nor impaired	225,018	104,635
Past due but not impaired	-	-
Individually impaired	44,829	50,409
	<u>269,847</u>	<u>155,044</u>
Gross loans, advances, and financing	269,847	155,044
Less: Allowance for losses on loans, advances and financing:		
- Stage 1: 12 Months on Balance Sheet	(1,430)	(227)
- Stage 2: Lifetime ECL not credit-impaired	-	-
- Lifetime ECL credit-impaired	(19,905)	(20,223)
	<u>248,512</u>	<u>134,594</u>
Net loans, advances, and financing	<u>248,512</u>	<u>134,594</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.

	Government & Government agencies <u>RM'000</u>	Large corporate customers <u>RM'000</u>	<u>Staff loans</u> RM'000	<u>Mortgages</u> RM'000	<u>Total</u> RM'000
<u>2019</u>					
RR1 – Exceptional	-	-	-	-	-
RR2 – Excellent	-	72,764	-	-	72,764
RR3 – Strong	-	135,170	-	-	135,170
RR4 – Good	-	15,387	564	-	15,951
RR5 – Satisfactory	-	1,012	-	-	1,012
RR6 – Acceptable	-	-	-	121	121
RR7 – Watchlist	-	-	-	-	-
RR8 – Special Mention	-	-	-	-	-
RR9 – Sub-standed	-	-	-	-	-
RR10 – Doubtful	-	-	-	-	-
RR11 – Loss	-	-	-	-	-
Unrated	-	-	-	-	-
	<u>-</u>	<u>224,333</u>	<u>564</u>	<u>121</u>	<u>225,018</u>
Total	<u>-</u>	<u>224,333</u>	<u>564</u>	<u>121</u>	<u>225,018</u>

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

F Credit risk (continued)

Loans, advances and financing (continued)

	Government & Government agencies <u>RM'000</u>	Large corporate customers <u>RM'000</u>	<u>Staff loans</u> <u>RM'000</u>	<u>Mortgages</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2018</u>					
RR1 – Exceptional	-	-	-	-	-
RR2 – Excellent	-	17,411	-	-	17,411
RR3 – Strong	-	59,185	-	-	59,185
RR4 – Good	-	24,173	843	-	25,016
RR5 – Satisfactory	-	1,591	-	-	1,591
RR6 – Acceptable	-	-	-	153	153
RR7 – Watchlist	-	-	-	-	-
RR8 – Special Mention	-	-	-	-	-
RR9 – Sub-standed	-	-	-	-	-
RR10 – Doubtful	-	-	-	-	-
RR11 – Loss	-	-	-	7	7
Unrated	-	1,219	-	-	1,219
Total	-	103,579	843	160	104,582

\*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:

	<u>Corporate</u> <u>RM'000</u>	<u>Mortgages</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>2019</u>			
Past due up to 30 days	-	-	-
Past due 30 - 60 days	-	-	-
Past due 60 - 90 days	-	-	-
Past due more than 90 days	-	-	-
Total	-	-	-

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

F Credit risk (continued)

Loans, advances and financing (continued)

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

	<u>Corporate</u> RM'000	<u>Mortgages</u> RM'000	<u>Total</u> RM'000
<u>2018</u>			
Past due up to 30 days	-	-	-
Past due 30 - 60 days	-	-	-
Past due 60 - 90 days	-	-	-
Past due more than 90 days	-	-	-
Total	-	-	-

(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>Corporate</u> RM'000	<u>Mortgages</u> RM'000
<u>2019</u>		
Gross impaired	44,802	27
Less: Individual allowance	(19,878)	(27)
Net impaired	24,924	-
<u>2018</u>		
Gross impaired	50,379	30
Less: Individual allowance	(20,193)	(30)
Net impaired	30,186	-

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

F 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 are summarised as follows:

	Malaysian Government Securities ("MGS") RM'000	Malaysian Government Investment Issues RM'000	Bank Negara Bills RM'000	Unquoted securities RM'000	Total RM'000
<u>2019</u>					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	570,221	330,740	-	-	900,961
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	-	-	99,596	2,980	102,576
	<u>570,221</u>	<u>330,740</u>	<u>99,596</u>	<u>2,980</u>	<u>1,003,537</u>
<u>2018</u>					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	1,041,185	131,546	899,176	-	2,071,907
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	-	-	49,928	2,995	52,923
	<u>1,041,185</u>	<u>131,546</u>	<u>949,104</u>	<u>2,995</u>	<u>2,124,830</u>

**BANK OF AMERICA MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

**G** 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.

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>2019</u>	<u>2018</u>
<u>100 basis points parallel shocks</u>	RM'000	RM'000
Economic Value Loss	(11,938)	(3,635)
Earnings-at-risk	17,863	7,418
	<u>                    </u>	<u>                    </u>
<u>Foreign currency sensitivity analysis</u>		
<u>Impact to profit after tax</u>		
-1%	7,232	10,217
1%	(6,871)	(9,822)
	<u>                    </u>	<u>                    </u>

**32 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

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.

<u>2019</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Financial assets at fair value through profit or loss</u>				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	570,221	-	-	570,221
- Malaysian Government Investment Issues	330,740	-	-	330,740
- Malaysian Government Treasury Bills	-	-	-	-
Derivative assets				
- Foreign exchange forwards and swaps	-	23,563	-	23,563
- Interest rate and cross currency swaps	-	16,893	-	16,893
<u>Financial assets at fair value through other comprehensive income</u>				
Unquoted shares	-	-	2,980	2,980
Unquoted bonds	-	-	-	-
Bank Negara Bills	99,596	-	-	99,596
Total assets	<u>1,000,557</u>	<u>40,456</u>	<u>2,980</u>	<u>1,043,993</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative liabilities				
- Foreign exchange forwards and swaps	-	26,923	-	26,923
- Interest rate and cross currency swaps	-	17,603	-	17,603
Total liabilities	<u>-</u>	<u>44,526</u>	<u>-</u>	<u>44,526</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

<u>2018</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Financial assets at fair value through profit or loss</u>				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	1,041,185	-	-	1,041,185
- Malaysian Government Investment Issues	131,546	-	-	131,546
- Malaysian Government Treasury Bills	899,176	-	-	899,176
Derivative assets				
- Foreign exchange forwards and swaps	-	12,878	-	12,878
- Interest rate and cross currency swaps	-	18,619	-	18,619
<u>Financial assets at fair value through other comprehensive income</u>				
Unquoted shares	-	-	2,980	2,980
Unquoted bonds	-	-	15	15
Bank Negara Bills	49,928	-	-	49,928
Total assets	<u>2,121,835</u>	<u>31,497</u>	<u>2,995</u>	<u>2,156,327</u>
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative liabilities				
- Foreign exchange forwards and swaps	-	18,167	-	18,167
- Interest rate and cross currency swaps	-	15,010	-	15,010
Total liabilities	<u>-</u>	<u>33,177</u>	<u>-</u>	<u>33,177</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

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

Financial instruments in Level 3

There were no movement in Level 3 instruments between financial year ended 31 December 2019 and 31 December 2018.

There were no gains or losses from Level 3 instruments recognised in profit or loss in the financial year ended 31 December 2019 and 31 December 2018.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

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 RM'000	Valuation technique RM'000	Significant unobservable inputs RM'000	Reasonable possible shift RM'000
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2019

Financial assets at fair value through  
other comprehensive income ('FVOCI')

Unquoted shares	2,980	Net tangible asset	Net tangible asset	+/- 5%
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2018

Financial assets at fair value through  
other comprehensive income ('FVOCI')

Unquoted shares	2,980	Net tangible asset	Net tangible asset	+/- 5%
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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 RM368,324 (2018: RM434,259) higher and RM177,516 (2017: RM177,172) lower respectively.

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, but for which fair value is disclosed.

	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>2019</u>				
<u>Assets</u>				
Cash and short term funds	2,736,001	2,736,001	-	2,736,001
Loans, advances and financing*	249,941	-	249,924	249,924
Other assets	21,445	-	21,445	21,445
Statutory deposits with Bank Negara Malaysia	10,001	10,001	-	10,001
<b>Total</b>	<b>3,017,388</b>	<b>2,746,002</b>	<b>271,369</b>	<b>3,017,371</b>

**BANK OF AMERICA MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

Financial instruments not measured at fair value (continued)

	Carrying value RM'000	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>2019</u>				
<u>Liabilities</u>				
Deposits from customers	3,146,529	-	3,146,492	3,146,492
Deposits and placement of banks and other financial institutions	76,104	-	76,104	76,104
Bills and acceptances payable	18,482	-	18,482	18,482
Other liabilities	58,076	-	58,076	58,076
Total	<u>3,299,191</u>	<u>-</u>	<u>3,299,154</u>	<u>3,299,154</u>
<u>2018</u>				
<u>Assets</u>				
Cash and short term funds	2,117,387	2,117,387	-	2,117,387
Other assets	22,809	-	22,809	22,809
Statutory deposits with Bank Negara Malaysia	16,800	16,800	-	16,800
Total	<u>2,156,996</u>	<u>2,134,187</u>	<u>22,809</u>	<u>2,156,996</u>
<u>Liabilities</u>				
Deposits from customers	2,988,012	-	2,986,918	2,986,918
Deposits and placement of banks and other financial institutions	680,972	-	680,972	680,972
Bills and acceptances payable	27,258	-	27,258	27,258
Other liabilities	58,600	-	58,600	58,600
Total	<u>3,754,842</u>	<u>-</u>	<u>3,753,748</u>	<u>3,753,748</u>

\* Excludes Expected Credit Loss stage 3

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**32 FAIR VALUE OF FINANCIAL INSTRUMENTS (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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

	Gross amounts of recognised financial assets <u>RM'000</u>	Gross amounts of recognised financial assets set off in the statement of financial position <u>RM'000</u>	Net amounts of financial assets presented in the statement of financial position <u>RM'000</u>	Related amounts not set off in the statement of financial position		
				<u>Financial Instruments</u> <u>RM'000</u>	<u>Financial collateral</u> <u>RM'000</u>	<u>Net amount</u> <u>RM'000</u>
<u>2019</u>						
Derivative financial assets	<u>40,456</u>	<u>-</u>	<u>40,456</u>	<u>(9,926)</u>	<u>(12,272)</u>	<u>18,258</u>
Derivative financial liabilities	<u>44,526</u>	<u>-</u>	<u>44,526</u>	<u>(9,926)</u>	<u>(15,193)</u>	<u>19,407</u>
<u>2018</u>						
Derivative financial assets	<u>31,497</u>	<u>-</u>	<u>31,497</u>	<u>(16,317)</u>	<u>(11,134)</u>	<u>4,046</u>
Derivative financial liabilities	<u>33,177</u>	<u>-</u>	<u>33,177</u>	<u>(16,317)</u>	<u>(21,751)</u>	<u>(4,891)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**33 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.

**BANK OF AMERICA MALAYSIA BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**34 IMPACT OF CHANGE IN ACCOUNTING POLICY**

**EFFECTS OF ADOPTION OF MFRS 16 LEASES**

The measurement category and the carrying amount of financial assets and liabilities in accordance with MFRS 16 at 1 January 2019 are as follows:

	<b>MFRS 117 carrying amount as at 31.12.2018</b>	<b>Remeasurement</b>	<b>MFRS 16 carrying amount as at 1.1.2019</b>
	RM'000	RM'000	RM'000
<u>Assets</u>			
Cash and short term funds	2,117,387	-	2,117,387
Financial assets at FVTPL	2,071,907	-	2,071,907
Financial assets at FVOCI	52,923	-	52,923
Loans, advances and financing	134,594	-	134,594
Other assets	22,809	-	22,809
Derivative assets	31,497	-	31,497
Tax recoverable	8,630	-	8,630
Deferred tax assets	2,134	-	2,134
Statutory deposits with Bank Negara Malaysia	16,800	-	16,800
Property and equipment	2,017	2,436	4,453
	<u>4,460,698</u>	<u>2,436</u>	<u>4,463,134</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Liabilities</u>			
Deposits from customers	2,988,012	-	2,988,012
Deposits and placements of banks and other financial institutions	680,972	-	680,972
Bills and acceptances payable	27,258	-	27,258
Other liabilities	58,600	2,436	61,036
Derivative liabilities	33,177	-	33,177
	<u>3,788,019</u>	<u>2,436</u>	<u>3,790,455</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**35 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

During the financial year, the immediate holding company of the Bank has changed from BankAmerica International Financial Corporation ("BIFC") to Bank of America, National Association ("BANA").

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

Direct and indirect effects of the coronavirus outbreak are impacting the global economy, markets, and the Bank's counterparties and clients. The Bank cannot predict the coronavirus's potential future direct or indirect effects; however, the Bank is taking actions to mitigate the impacts on the Bank. The coronavirus's effects could have a material negative impact on the Bank's future results of operations.

In particular, the process to determine expected credit losses (ECL) requires numerous estimates and assumptions, some of which require a high degree of judgement and are often interrelated. Changes in the estimates and assumptions can result in significant changes in ECL. In estimating ECL, the Bank appropriately considers reasonable and supportable information that is relevant and available without undue cost or effort. The Bank will continue to closely monitor the impact of coronavirus and related risks as they evolve.

**37 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 June 2020.

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**BANK OF AMERICA MALAYSIA BERHAD**  
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**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Raymond Yeoh Cheng Seong and David Allan Cairns, being two of the Directors of Bank of America Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 117 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2019 and financial performance of the Bank for the financial year ended 31 December 2019 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Bank Negara Malaysia Guidelines and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 June 2020.

RAYMOND YEOH CHENG SEONG  
DIRECTOR

DAVID ALLAN CAIRNS  
DIRECTOR

**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016**

I, Yvonne Lew Ee-Wern, 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 11 to 117 are, to the best of my knowledge and belief, 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.

YVONNE LEW EE-WERN

Subscribed and solemnly declared by the above named Yvonne Lew Ee-Wern at Kuala Lumpur on 26 June 2020, before me.

COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF BANK OF AMERICA MALAYSIA BERHAD  
(Incorporated in Malaysia)  
(Company No. 199401025304 (310983-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bank of America Malaysia Berhad (“the Bank”) give a true and fair view of the financial position of the Bank as at 31 December 2019, and of its financial performance and its 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 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 117.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

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

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors’ report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Bank and our auditors’ report thereon.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, [www.pwc.com/my](http://www.pwc.com/my)*

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF BANK OF AMERICA MALAYSIA BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank 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 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF BANK OF AMERICA MALAYSIA BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 199401025304 (310983-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (a) Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBER OF BANK OF AMERICA MALAYSIA BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 199401025304 (310983-V))

**OTHER MATTERS**

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

SOO HOO KHOON YEAN  
02682/10/2021 J  
Chartered Accountant

Kuala Lumpur