

Company No.

310983	V
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND STATUTORY FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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Company 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 2014**

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

Company No.

310983	V
--------	---

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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 2014.

**PRINCIPAL ACTIVITIES**

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

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

**FINANCIAL RESULTS**

	RM'000
Profit before taxation	13,962
Taxation	(6,164)
Net profit for the financial year	<u>7,798</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 2014.

**RESERVES AND PROVISIONS**

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

**BAD AND DOUBTFUL DEBTS**

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

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

Company No.

310983

V

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**CURRENT ASSETS**

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

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

**VALUATION METHODS**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

In the opinion of the Directors:

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

Company No.

310983	V
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**DIRECTORS OF THE BANK**

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

Raymond Yeoh Cheng Seong	
Tan Sri Dato' Ir (Dr) Wan Abdul Rahman bin Wan Yaacob	(resigned on 4 October 2014)
Dato' Chew Kong Seng	(resigned on 2 October 2014)
David Allan Cairns	
Ayesha Natchiar binti Dato' Ally Maricar	
Rodney Gordon Ward	(resigned on 1 October 2014)
Dato' Mohammed bin Haji Che Hussein	(appointed on 1 October 2014)
Dato' Teo Tong Kooi	(appointed on 1 October 2014)

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

**DIRECTORS' INTERESTS**

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

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

	As at 1 Jan 2014	<u>Number of ordinary shares of USD0.01 each</u>		
		<u>Shares held by Directors in their own name</u>		As at 31 Dec 2014
		<u>Acquired/ Granted</u>	<u>(Disposed)</u>	
Richard David Maloney Jr	38	7,829	(7,867)	-
Raymond Yeoh Cheng Seong	-	28,997	-	28,997
David Allan Cairns	25,613	8,191	(12,468)	21,336

Company No.

310983

V

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**DIRECTORS' BENEFITS**

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

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

**HOLDING AND ULTIMATE HOLDING COMPANY**

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

**RISK MANAGEMENT FRAMEWORK**

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

**BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The Bank continued to operate as a Working Capital Management ("WCM") unit for the financial year ended 31 December 2014. The Bank's operations are concentrated on the provision of working capital products and services to its major clients, who are multinationals, large local corporations, financial institutions and international multi lateral agencies requiring trade and cash management services. Credit facilities are extended to support activities in the area of working capital, trade finance and foreign exchange. The Bank continued its Fixed Income, Currency and Commodity ("FICC") business which includes the trading of foreign exchange and government securities and has expanded its Vendor Financing business.

**OUTLOOK FOR THE FINANCIAL YEAR 2015**

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**CORPORATE GOVERNANCE STATEMENT**

Introduction

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

**BOARD OF DIRECTORS**

The Board

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

Composition of the Board

As of 31 December 2014, the Board has five (5) members, comprising the Chairman/Non-Executive Director (1), Executive Director (1), and Independent Directors (3), as follows:-

Designation

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

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Composition of the Board (continued)

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

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

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

Board Meetings

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

The Board met 7 times during the financial year ended 31 December 2014. The attendance of each director in office at the end of the financial year on the aforesaid Board meetings are set out below:-

<u>Directors</u>	<u>Meetings Attended of Total</u>	<u>Attendance %</u>
David Allan Cairns Chairman/Non-Executive Director	7/7	100%
Raymond Yeoh Cheng Seong Executive Director	7/7	100%
Ayesha Natchiar binti Dato' Ally Maricar Independent Director	7/7	100%
Dato' Mohammed bin Haji Che Hussein Independent Director	2/2	100%
Dato' Teo Tong Kooi Independent Director	2/2	100%



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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**BOARD OF DIRECTORS (CONTINUED)**

Board Meetings (continued)

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

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

**DISCLOSURE OF BOARD COMMITTEES**

Audit Committee

The Board has established the Audit Committee since 1994. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2014, a total of 5 meetings were held and details of attendance of each member at the Audit Committee meetings held during the year as at 31 December 2014 are as follows:-

<u>Composition of the Audit Committee</u>	<u>Attendance at the committee meetings</u>
Dato' Mohammed bin Haji Che Hussein (Chairman)	2/2
David Allan Cairns	2/2
Ayesha Natchiar binti Dato' Ally Maricar	3/3

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****DISCLOSURE OF BOARD COMMITTEES (CONTINUED)**Risk Management Committee

The Board have established the Risk Management Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2014, a total of 4 meetings were held and details of attendance of each member at the Risk Management Committee meetings held during the year as at 31 December 2014 are as follows:-

<u>Composition of Risk Management Committee</u>	<u>Attendance at the committee meetings</u>
Ayesha Natchiar binti Dato' Ally Maricar (Chairman)	4/4
Dato' Teo Tong Kooi	2/2
David Allan Cairns	4/4

Nominating Committee

The Board have established the Nominating Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2014, one meeting was held and details of attendance of each member at the Nominating Committee meeting held during the year as at 31 December 2014 are as follows:-

<u>Composition of Nominating Committee</u>	<u>Attendance at the committee meeting</u>
Dato' Teo Tong Kooi (Chairman)	1/1
Ayesha Natchiar binti Dato' Ally Maricar	1/1
David Allan Cairns	1/1

Remuneration Committee

The Board have established the Remuneration Committee in April 2013. The Committee presently comprises three (3) Directors of which one (1) is the Chairman, one (1) Non-Executive Director and one (1) Independent Director. During the financial year ended 31 December 2014, one meeting was held and details of attendance of each member at the Remuneration Committee meeting held during the year as at 31 December 2014 are as follows:-

<u>Composition of Remuneration Committee</u>	<u>Attendance at the committee meeting</u>
Dato' Teo Tong Kooi (Chairman)	1/1
Ayesha Natchiar binti Dato' Ally Maricar	1/1
David Allan Cairns	1/1

Company No.

310983	V
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**RATING BY AGENCIES**

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

**AUDITORS**

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

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



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



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

Kuala Lumpur

**25 JUN 2015**

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	<u>Note</u>	<u>2014</u> RM'000	<u>2013</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	2	1,642,304	2,513,159
Deposits and placements with banks		3,934	-
Securities held-for-trading ('HFT')	3	622,870	573,520
Securities available-for-sale ('AFS')	4	2,995	87,775
Loans, advances and financing	5	235,291	112,654
Other assets	6	21,315	6,470
Derivative assets	7	91,423	31,905
Tax recoverable		2,727	4,174
Deferred taxation	8	626	285
Statutory deposit with Bank Negara Malaysia	9	3,000	2,300
Property, plant and equipment	10	7,140	7,941
<b>TOTAL ASSETS</b>		<u>2,633,625</u>	<u>3,340,183</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	11	1,888,735	1,888,331
Deposits and placements of banks and other financial institutions	12	75,740	877,854
Bills and acceptances payable		31,746	19,111
Other liabilities	13	60,670	25,086
Derivative liabilities	14	61,275	22,156
<b>TOTAL LIABILITIES</b>		<u>2,118,166</u>	<u>2,832,538</u>
Share capital	15	135,800	135,800
Reserves	16	379,659	371,845
<b>Shareholders' funds</b>		<u>515,459</u>	<u>507,645</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>2,633,625</u>	<u>3,340,183</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<u>16,731,088</u>	<u>5,260,680</u>

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>Note</u>	<u>2014</u> RM'000	<u>2013</u> RM'000
Interest income	17	78,567	89,504
Interest expense	18	(16,487)	(23,618)
Net interest income		<u>62,080</u>	<u>65,886</u>
Other operating income	19	14,563	12,548
Net income		<u>76,643</u>	<u>78,434</u>
Other operating expenses	20	(61,769)	(64,991)
Profit before allowance (Allowances)/Write back of impairment losses	23	14,874 (912)	13,443 360
Profit before taxation		<u>13,962</u>	<u>13,803</u>
Taxation	25	(6,164)	(3,437)
Profit for the financial year		<u>7,798</u>	<u>10,366</u>
Other comprehensive income/(loss):			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Change in value of available-for-sale financial assets:			
- Realised gain transferred to profit or loss on disposal		-	(1,553)
- Net gain/(loss) from change in fair value		22	(21)
- Income tax effects		(6)	394
Other comprehensive income/(loss), net of tax		<u>16</u>	<u>(1,180)</u>
Total comprehensive income for the financial year		<u>7,814</u>	<u>9,186</u>
Earnings per share (sen)			
- Basic/Diluted	27	<u>5.74</u>	<u>7.63</u>

Company No.

310983	V
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**BANK OF AMERICA MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>Share capital</u> RM'000	<u>Statutory reserve</u> RM'000	<u>Non-distributable Available- for-sale reserve</u> RM'000	<u>Distributable Retained profits</u> RM'000	<u>Total</u> RM'000
At 1 January 2014	135,800	130,949	1,017	239,879	507,645
Total comprehensive income for the financial year	-	-	16	7,798	7,814
Transfer to statutory reserve	-	1,949	-	(1,949)	-
At 31 December 2014	<u>135,800</u>	<u>132,898</u>	<u>1,033</u>	<u>245,728</u>	<u>515,459</u>
At 1 January 2013	135,800	128,357	2,197	232,105	498,459
Total comprehensive income for the financial year	-	-	(1,180)	10,366	9,186
Transfer to statutory reserve	-	2,592	-	(2,592)	-
At 31 December 2013	<u>135,800</u>	<u>130,949</u>	<u>1,017</u>	<u>239,879</u>	<u>507,645</u>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	<u>2014</u> RM'000	<u>2013</u> RM'000
<b>CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>		
Profit before taxation	13,962	13,803
Adjustments for:		
Depreciation of property, plant and equipment	4,052	4,453
Loss on disposal of property, plant and equipment	340	269
Allowances/(Write back) of impairment losses	930	(210)
Gross dividend income from securities available-for-sale	-	(110)
Gain on sale of securities available-for-sale	-	(1,884)
Accretion of discount	(1,274)	(3,346)
Net unrealised gain on fair value changes in derivatives	(20,394)	(10,506)
Net unrealised (gain)/loss on revaluation of securities held-for-trading	(1,446)	2,450
<b>OPERATING (LOSS)/PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<u>(3,830)</u>	<u>4,919</u>
(Increase)/Decrease in operating assets:		
Deposits and placements with banks	(3,934)	989
Securities held-for-trading ("HFT")	(47,904)	29,486
Loans, advances and financing	(123,567)	64,436
Other assets	(14,845)	(5,771)
Derivative assets	(39,124)	(17,015)
Statutory deposit with Bank Negara Malaysia	(700)	-
Increase/(Decrease) in operating liabilities:		
Deposits from customers	404	754,217
Deposits and placements of banks and other financial institutions	(802,114)	300,201
Bills and acceptances payable	12,635	(3,138)
Other liabilities	35,584	15,288
Derivative liabilities	39,119	17,011
<b>CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<u>(948,276)</u>	<u>1,160,623</u>
Taxation paid	(5,064)	(6,864)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<u>(953,340)</u>	<u>1,153,759</u>

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

**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

	<u>Note</u>	<u>2014</u> RM'000	<u>2013</u> RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Gross dividend received from securities available-for-sale		-	110
Purchase of property, plant and equipment		(3,680)	(5,028)
Proceeds from disposal of property, plant and equipment		89	174
Proceeds from disposal of securities available-for-sale		-	2,094
Net redemption of securities available-for-sale		86,076	34,689
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		82,485	32,039
		<hr/>	<hr/>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(870,855)	1,185,798
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>		2,513,159	1,327,361
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	2	1,642,304	2,513,159
		<hr/> <hr/>	<hr/> <hr/>



## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

#### I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A BASIS OF PREPARATION

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

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

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

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

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Bank's financial year beginning 1 January 2014 are as follows:

- Amendment to MFRS 132 "Financial instruments: Presentation" – Offsetting financial assets and financial liabilities
- Amendment to MFRS 139 "Financial instruments: recognition and measurement" - Novation of derivatives and continuation of hedge accounting

The adoption of the above standards and amendments to published standards does not have any material impact on the Bank's financial statements.

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****A BASIS OF PREPARATION (CONTINUED)**

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

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

- (i) Financial year beginning on/after 1 January 2015

- **Amendments to MFRS 2 “Share-based Payment”**  
The amendment clarifies the definition of a ‘vesting condition’ and separately defines ‘performance condition’ and ‘service condition’.
- **MFRS 13 “Fair Value Measurement”**  
The basis of conclusions of MFRS 13 is amended to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amount where the effect of discounting is immaterial.  
  
The amendment to MFRS 13 clarifies that the portfolio exception in the standard applies to all contracts (including non-financial contracts) within the scope of MFRS 139 or MFRS 9.
- **MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangible Assets”**  
The amendments to MFRS 116 and MFRS 138 clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- **MFRS 124 “Related Party Disclosures”**  
MFRS 124 is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or the parent of the reporting entity (‘the management entity’). Disclosure of the amounts charged to the reporting entity is required.
- **Amendments to MFRS 1 “First-time Adoption of Financial Reporting Standards”**  
The basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption, a first-time adopter can use either the old or the new version, provided there same standard is applied in all periods presented.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

(ii) Financial year beginning on/after 1 January 2017

- MFRS 15 "Revenue from contracts with customers" (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations.

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

- MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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

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

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
ACCOUNTING ESTIMATES AND ASSUMPTIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****B INTEREST INCOME RECOGNITION**

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

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

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

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

**C RECOGNITION OF FEES AND OTHER INCOME**

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

**D OTHER PROVISIONS**

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

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

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

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

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

**E REPURCHASE AGREEMENTS**

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

**F FINANCIAL ASSETS**

**(a) Classification**

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F FINANCIAL ASSETS (CONTINUED)

(a) Classification (continued)

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

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

(b) Recognition and measurement

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

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****F FINANCIAL ASSETS (CONTINUED)****(b) Recognition and measurement (continued)**

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

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

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

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

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

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

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

**G FINANCIAL LIABILITIES**

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



## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

#### G FINANCIAL LIABILITIES (CONTINUED)

##### (a) Financial liabilities at fair value through profit or loss

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

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

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

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

#### H OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### I IMPAIRMENT OF FINANCIAL ASSETS

##### (a) Assets carried at amortised cost

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
ACCOUNTING ESTIMATES AND ASSUMPTIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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

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

(b) Assets classified as available-for-sale

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

**J IMPAIRMENT OF NON-FINANCIAL ASSETS**

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

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

**K PROPERTY, PLANT AND EQUIPMENT**

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

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

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

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

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

**L BILLS AND ACCEPTANCES PAYABLE**

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

**M DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING**

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

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

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

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

**(a) Fair value hedge**

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING (CONTINUED)

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

N FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

#### N FOREIGN CURRENCY TRANSLATION (CONTINUED)

##### (b) Transactions and balances (continued)

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

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

#### O CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

#### P CASH AND CASH EQUIVALENTS

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL  
ACCOUNTING ESTIMATES AND ASSUMPTIONS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

**Q EMPLOYEE BENEFITS**

**(a) Short term employee benefits**

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

**(b) Post employment benefits**

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

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

**R SHARE-BASED PAYMENTS**

The Bank participates in several employee compensation plans managed by Bank of America Corporation ("BAC"), the ultimate holding company. The plans provide eligible employees with stocks and options to purchase shares in BAC. The fair value of the employee services received in exchange for the grant of the stocks and options is recognised as an expense in the income statement with a corresponding increase in equity compensation reserve over the vesting period. However, there is no net equity impact on the Bank's financial position as the Bank has contracted to reimburse to BAC or through an intermediate holding company for the issuance of these awards. The total amount to be recognised over the vesting period is determined by reference to the fair value of the share awards and share options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares and options that are expected to become exercisable on the vesting date.

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

##### S CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

#### II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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



**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)****(a) Fair value of financial instruments (continued)**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

**1 GENERAL INFORMATION**

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

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

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

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

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

**2 CASH AND SHORT-TERM FUNDS**

	<u>2014</u> RM'000	<u>2013</u> RM'000
Cash and balances with banks and other financial institutions	23,931	11,424
Money at call and deposit placements maturing within one month	1,618,373	2,501,735
	<u>1,642,304</u>	<u>2,513,159</u>

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
Malaysian Government Securities	369,532	199,499
Bank Negara Malaysia Bills	243,337	374,021
Malaysian Government Investment Issues	10,001	-
	<u>622,870</u>	<u>573,520</u>

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Money market instruments:</u>		
Bank Negara Malaysia Bills	-	19,949
Malaysian Treasury Bills	-	64,831
<u>Unquoted securities in Malaysia:</u>		
Shares	2,980	2,980
Bonds	15	15
	<u>2,995</u>	<u>87,775</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

5 **LOANS, ADVANCES AND FINANCING**

	2014 RM'000	2013 RM'000
(a) Loans, advances and financing analysed by type:		
At amortised cost:		
Overdrafts	30,509	34,576
Term loans - factoring receivables	51,997	6,465
Claims on customers under acceptance credits	3,100	20,700
Staff loans	1,460	1,067
Revolving advances	148,801	49,132
Real estate loans	805	1,874
	<hr/>	<hr/>
Gross loans, advances and financing	236,672	113,814
Allowance for losses on loans, advances and financing:		
Individual assessment	(205)	(831)
Collective assessment	(1,176)	(329)
	<hr/>	<hr/>
Total net loans, advances and financing	235,291	112,654
	<hr/> <hr/>	<hr/> <hr/>
(b) Gross loans, advances and financing analysed by geographical distribution:		
Malaysia	236,672	113,814
	<hr/> <hr/>	<hr/> <hr/>
(c) Gross loans, advances and financing analysed by type of customer:		
Domestic business enterprises	215,286	104,774
Domestic non-banking financial institutions	18,572	5,386
Government and statutory bodies	549	713
Individuals	2,265	2,941
	<hr/>	<hr/>
	236,672	113,814
	<hr/> <hr/>	<hr/> <hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
(d) Gross loans, advances and financing analysed by interest rate sensitivity:		
Fixed rate:		
Housing loans	1,145	836
Other fixed rate loans	226,299	105,134
Variable rate:		
BLR plus	1,629	3,104
Cost plus	7,599	4,740
	<u>236,672</u>	<u>113,814</u>
(e) Gross loans, advances and financing analysed by economic purpose:		
Purchase of transport vehicles	254	139
Purchase of landed property (residential)	1,951	2,710
Personal use	38	59
Purchase of consumer durables	22	33
Working capital	234,407	110,873
	<u>236,672</u>	<u>113,814</u>
(f) Gross loans, advances and financing analysed by residual contractual maturity:		
Within one year	226,865	104,584
One year to three years	7,905	6,333
Three years to five years	304	1,467
Over five years	1,598	1,430
	<u>236,672</u>	<u>113,814</u>

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 5 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>2014</u> RM'000	<u>2013</u> RM'000
(g) Movements in impaired loans, advances and financing are as follows:		
At 1 January	1,003	952
Classified as impaired during the financial year	94	203
Interest income recognised during the financial year	56	66
Amount recovered during the financial year	(166)	(172)
Amount written off	(709)	-
Reclassified as performing during the financial year	-	(46)
	<hr/>	<hr/>
At 31 December	278	1,003
Individual assessment allowance	(205)	(831)
	<hr/>	<hr/>
Net impaired loans, advances and financing	73	172
	<hr/>	<hr/>
Gross impaired loans as a % of gross loans, advances and financing	0.12%	0.88%
	<hr/>	<hr/>
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows:		
<u>Individual assessment allowance</u>		
At 1 January	831	770
Allowance made during the financial year	52	192
Write back made during the financial year	(678)	(131)
	<hr/>	<hr/>
At 31 December	205	831
	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
(h) Movements in allowance for losses on impaired loans, advances and financing are as follows: (continued)		
<u>Collective assessment allowance</u>		
At 1 January	329	609
Allowance/(write back) made during the financial year	847	(280)
At 31 December	<u>1,176</u>	<u>329</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>0.50%</u>	<u>0.29%</u>
	<u>2014</u> RM'000	<u>2013</u> RM'000
(i) Impaired loans, advances and financing analysed by geographical distribution:		
Malaysia	<u>278</u>	<u>1,003</u>
(j) Impaired loans, advances and financing analysed by economic purpose:		
Purchase of landed property (residential)	<u>278</u>	<u>1,003</u>
6 <b>OTHER ASSETS</b>		
	<u>2014</u> RM'000	<u>2013</u> RM'000
Other receivables	20,928	6,430
Deposits	36	37
Prepayments	351	3
	<u>21,315</u>	<u>6,470</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

7 DERIVATIVE ASSETS

	2014 RM'000	2013 RM'000
Foreign exchange forwards and swaps	73,517	27,536
Interest rate and cross currency swaps	17,906	4,369
	<u>91,423</u>	<u>31,905</u>
	<u>Contract or underlying principal amount RM'000</u>	<u>Year end positive fair value RM'000</u>
<u>2014</u>		
Foreign exchange forwards and swaps	1,628,327	73,517
Interest rate and cross currency swaps	7,495,680	17,906
	<u>9,124,007</u>	<u>91,423</u>
<u>2013</u>		
Foreign exchange forwards and swaps	1,937,759	27,536
Interest rate and cross currency swaps	1,397,895	4,369
	<u>3,335,654</u>	<u>31,905</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:

	2014 RM'000	2013 RM'000
Deferred tax assets	1,455	1,585
Deferred tax liabilities	(829)	(1,300)
	<u>626</u>	<u>285</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**8 DEFERRED TAXATION (CONTINUED)**

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

	<u>General allowance</u> RM'000	<u>Accelerated tax depreciation</u> RM'000	<u>Available- for-sale reserve</u> RM'000	<u>Total</u> RM'000
At 1 January 2014	1,585	(961)	(339)	285
(Charged)/credited to income statement (Note 25)	(130)	477	-	347
Charged to available-for-sale-reserve	-	-	(6)	(6)
As at 31 December 2014	<u>1,455</u>	<u>(484)</u>	<u>(345)</u>	<u>626</u>
At 1 January 2013	497	(1,522)	(733)	(1,758)
Credited to income statement (Note 25)	1,088	561	-	1,649
Credited to available-for-sale reserve	-	-	394	394
As at 31 December 2013	<u>1,585</u>	<u>(961)</u>	<u>(339)</u>	<u>285</u>

**9 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA**

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



Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

10 **PROPERTY, PLANT AND EQUIPMENT**

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

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

10 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Office equipment and furniture RM'000	Computer equipment and software RM'000	Bank premises alterations RM'000	Works-in- progress RM'000	Total RM'000
<u>2013</u>					
<u>Cost</u>					
At 1 January 2013	8,002	11,885	3,235	185	23,307
Additions	469	1,706	-	2,853	5,028
Disposal	(610)	(2,434)	(875)	-	(3,919)
At 31 December 2013	7,861	11,157	2,360	3,038	24,416
<u>Accumulated depreciation</u>					
At 1 January 2013	4,270	8,737	2,491	-	15,498
Charge for the financial year	1,973	1,740	740	-	4,453
Disposal	(435)	(2,166)	(875)	-	(3,476)
At 31 December 2013	5,808	8,311	2,356	-	16,475
<u>Net book value</u>					
At 31 December 2013	2,053	2,846	4	3,038	7,941

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

11 DEPOSITS FROM CUSTOMERS

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Demand deposits	1,577,104	1,205,913
Saving deposits	86	166
Fixed deposits	311,545	682,252
	<u>1,888,735</u>	<u>1,888,331</u>
 (a) Maturity structure of fixed deposits is as follows:		
Due within six months	288,707	593,892
Six months to one year	21,708	86,075
One year to five years	884	2,054
More than five years	246	231
	<u>311,545</u>	<u>682,252</u>
 (b) The deposits are sourced from the following types of customers:		
Business enterprises	1,880,970	1,877,274
Individuals	5,381	9,515
Others	2,384	1,542
	<u>1,888,735</u>	<u>1,888,331</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

12 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2014</u> RM'000	<u>2013</u> RM'000
Licensed banks	59,860	863,596
Other financial institutions	15,880	14,258
	<u>75,740</u>	<u>877,854</u>

13 OTHER LIABILITIES

	<u>2014</u> RM'000	<u>2013</u> RM'000
Unearned discount on loans, advances and financing	13	53
Other payables	53,214	18,208
Accruals	7,443	6,825
	<u>60,670</u>	<u>25,086</u>

14 DERIVATIVE LIABILITIES

	<u>2014</u> RM'000	<u>2013</u> RM'000
Foreign exchange forwards and swaps	49,039	20,278
Interest rate and cross currency swaps	12,236	1,878
	<u>61,275</u>	<u>22,156</u>

	<u>Contract or underlying principal amount</u> RM'000	<u>Year end negative fair value</u> RM'000
<u>2014</u>		
Foreign exchange forwards and swaps	1,582,427	49,039
Interest rate and cross currency swaps	5,448,920	12,236
	<u>7,031,347</u>	<u>61,275</u>
<u>2013</u>		
Foreign exchange forwards and swaps	1,179,281	20,278
Interest rate and cross currency swaps	267,895	1,878
	<u>1,447,176</u>	<u>22,156</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

15 SHARE CAPITAL

	<u>2014</u> RM'000	<u>2013</u> RM'000
Authorised:		
250,000,000 ordinary shares of RM1 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
135,800,000 ordinary shares of RM1 each	<u>135,800</u>	<u>135,800</u>

16 RESERVES

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

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
At 1 January	1,017	2,197
Net change in revaluation reserve of financial assets available-for-sale	22	(1,574)
Deferred taxation	(6)	394
At 31 December	<u>1,033</u>	<u>1,017</u>

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

17	INTEREST INCOME	<u>2014</u> RM'000	<u>2013</u> RM'000
	Loans, advances and financing	6,682	17,096
	Money at call and deposit placements with banks and other financial institutions	41,144	49,434
	Securities available-for-sale	1,274	3,346
	Securities held-for-trading	29,467	19,627
	Others	-	1
		<u>78,567</u>	<u>89,504</u>
18	INTEREST EXPENSE	<u>2014</u> RM'000	<u>2013</u> RM'000
	Deposits and placements of banks and other financial institutions	744	1,330
	Deposits from customers	15,735	22,287
	Others	8	1
		<u>16,487</u>	<u>23,618</u>
19	OTHER OPERATING INCOME	<u>2014</u> RM'000	<u>2013</u> RM'000
	<u>Fee income</u>		
	Commission	716	598
	Service charges and fees	4,045	3,382
	Guarantee fees	858	572
	Management fee income	2,311	322
	Other fee income	4,726	2,042
	Total fee income	<u>12,656</u>	<u>6,916</u>
	<u>Gross dividend income from</u> Securities available-for-sale	-	110
	Gain on sale of securities available-for-sale	-	1,884
	<u>Net gain/(loss) arising from securities held-for-trading</u>		
	Net loss from sale of securities held-for-trading	(6,819)	(9,118)
	Unrealised revaluation gain/(loss) on securities held-for-trading	1,446	(2,450)
	Unrealised gains on revaluation of derivative instruments		
	Foreign exchange forwards and swaps	17,220	8,015
	Interest rate and cross currency swaps	3,174	2,491
	Balance carried forward	<u>27,677</u>	<u>7,848</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

19	OTHER OPERATING INCOME (CONTINUED)	2014 RM'000	2013 RM'000
	Balance brought forward	27,677	7,848
	Realised loss on derivatives	(3,980)	-
	Realised foreign exchange (loss)/gain	(9,137)	4,504
	Reimbursement of information technology expenses	-	194
	Others	3	2
		14,563	12,548
20	OTHER OPERATING EXPENSES	2014 RM'000	2013 RM'000
	<u>Personnel costs</u>		
	Salaries, allowances and bonuses	23,990	18,824
	Share-based compensation	1,551	361
	Defined contribution plans	4,097	3,178
	Other staff related cost	864	8,005
		30,502	30,368
	<u>Establishment costs</u>		
	Depreciation of property, plant and equipment	4,052	4,453
	Loss on disposal of property, plant and equipment	340	269
	Rental of premises	1,092	1,138
	Rental of equipment	389	470
	Repair and maintenance	585	994
	Information technology expenses	1	481
	Others	1,966	3,124
		8,425	10,929
	<u>Marketing expenses</u>		
	Advertising and publicity	32	32
	Others	255	266
		287	298

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

20 OTHER OPERATING EXPENSES (CONTINUED)

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
<u>Administration and general expenses</u>		
Auditors' remuneration		
<u>Current year</u>		
- statutory audit fees	117	117
- non-audit fees	60	60
<u>(Over)/under-accrual from prior year</u>		
- statutory audit fees	(3)	124
- non-audit fees	5	109
Communication expenses	2,983	3,688
Legal and professional fees	628	756
Stationery and postages	744	490
Shared administrative support expenses	13,980	15,541
Others	4,041	2,511
	<u>22,555</u>	<u>23,396</u>
	<u>61,769</u>	<u>64,991</u>

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

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

	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
Executive Directors and CEO:		
Salaries	1,496	1,395
Bonus	1,800	4,215
Defined contribution plan	788	954
Others	1,340	62
Non-Executive Directors:		
Fees	301	150
	<u>5,725</u>	<u>6,776</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

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

	<u>2014</u> No. of <u>Directors</u>	<u>2013</u> No. of <u>Directors</u>
<u>Executive</u>		
RM:		
1,700,001 - 1,750,000	-	1
4,900,001 – 4,950,000	-	1
5,400,001 – 5,450,000	1	-
<u>Executive/Non-Executive/Independent</u>		
RM:		
0 - 50,000	2	6
50,001 – 100,000	3	-
	<u>          </u>	<u>          </u>

**22 SHARE-BASED PAYMENT**

The Bank participates in several employee compensation plans managed by BAC, the ultimate holding company. Descriptions of the material features of the equity compensation plans are below.

The Key Associate Stock Plan (“KASP”) became effective on 1 January 2003. It provides for different types of long-term awards, including stock options, restricted stock and restricted stock units. These awards generally vest in three equal annual instalments beginning one year from the grant date.

During the year of 2014, 48,092 shares were granted. The estimated fair value of each share granted in this plan is USD16.70, which is equal to the share price at the date of the grant.

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 23 (ALLOWANCES)/WRITE BACK OF IMPAIRMENT LOSSES

	2014 RM'000	2013 RM'000
<u>Allowance for loans, advances and financing</u>		
Individual assessment allowance:		
- made during the financial year	(52)	(192)
- written back during the financial year	678	131
Collective assessment allowance:		
- (made)/written back during the financial year	(847)	280
Bad debts on loans, advances and financing:		
- recovered	18	150
- written off	(709)	(9)
	<u>(912)</u>	<u>360</u>

## 24 SIGNIFICANT RELATED PARTY DISCLOSURES

## (a) Related parties and relationships

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

(a) **Related parties and relationships (continued)**

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

<u>Related parties</u>	<u>Relationship</u>
Bank of America National Association - Bangkok Branch	Branch of the ultimate holding company
Bank of America National Association - Jakarta Branch	Branch of the ultimate holding company
Bank of America National Association - Mumbai Branch	Branch of the ultimate holding company
Bank of America National Association - Sydney Branch	Branch of the ultimate holding company
Bank of America National Association - Tokyo Branch	Branch of the ultimate holding company
Bank of America National Association - Hong Kong Branch	Branch of the ultimate holding company
Smith Zain (Penang) Sdn. Bhd.	Subsidiary of the ultimate holding company
Merrill Lynch Malaysian Advisory Sdn. Bhd.	Subsidiary of the ultimate holding company
Merrill Lynch International	Subsidiary of the ultimate holding company
Merrill Lynch International Bank Limited	Subsidiary of the ultimate holding company
Merrill Lynch (Asia Pacific) Limited	Subsidiary of the ultimate holding company
Key management personnel	The key management personnel 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>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

(b) Significant related party balances and transactions

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	<u>Key management personnel</u> RM'000	<u>Other related companies</u> RM'000
<u>2013</u>		
<u>Income</u>		
Interest on deposits and placements with other financial institutions	-	230
Interest on loans, advances and financing	10	-
Management fee income	-	322
Other fee income	-	1,223
Reimbursement of information technology expenses	-	194
	<u>10</u>	<u>1,969</u>
<u>Expenditure</u>		
Interest on deposits and placements of banks and other financial institutions	-	823
Interest on deposits from customers	-	349
Shared administrative support expenses	-	15,541
	<u>-</u>	<u>16,713</u>
<u>Amount due from</u>		
Deposits and placements	-	14,528
Loans, advances and financing	361	-
Interest receivable	-	4
Other receivables	-	1,028
	<u>361</u>	<u>15,560</u>
<u>Amount due to</u>		
Deposits and placements	-	879,030
Interest payable	-	38
Other payables	-	2,504
	<u>-</u>	<u>881,572</u>
<u>Approved limit</u>		
	<u>2014</u>	<u>2013</u>
	RM'000	RM'000
The approved limit on loans, advances and financing for key management personnel	<u>500</u>	<u>800</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

24 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
Short-term employee benefits:		
Fees	301	150
Salaries and other remuneration	7,957	8,785
	<u>8,258</u>	<u>8,935</u>

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

25 TAXATION

	<u>2014</u> RM'000	<u>2013</u> RM'000
Malaysian income tax:		
Current year	4,883	5,328
Under/(Over) provision of prior years taxation	1,628	(242)
Deferred taxation (Note 8)	(347)	(1,649)
Tax charge for the financial year	<u>6,164</u>	<u>3,437</u>

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

	<u>2014</u> RM'000	<u>2013</u> RM'000
Profit before taxation	<u>13,962</u>	<u>13,803</u>
Tax calculated at rate of 25% (2013: 25%)	3,490	3,451
Income not subject to tax	-	(519)
Expenses not deductible for tax purposes	862	747
Under provision of deferred taxation in prior years	184	-
Under/(over) provision of prior years' taxation	1,628	(242)
Tax expense for the financial year	<u>6,164</u>	<u>3,437</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

26 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the followings:

<u>Description</u>	<u>2014</u> Principal amount RM'000	<u>2013</u> Principal amount RM'000
Direct credit substitutes	100,350	45,473
Transaction related contingent items	46,977	23,325
Short-term self liquidating trade related contingencies	590	1,022
Foreign exchange related contracts:		
One year or less	3,129,902	2,970,058
Over one year to five years	80,852	146,981
Interest/profit rate related contracts:		
One year or less	5,007,840	200,000
Over one year to five years	7,882,760	1,435,790
Over five years	54,000	30,000
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	426,774	406,901
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	30	20
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,013	1,110
Total	<u>16,731,088</u>	<u>5,260,680</u>

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

## 27 EARNINGS PER SHARE

The earnings per share has been calculated based on net profit for the financial year of RM7,797,357 (2013: RM10,366,183) and the weighted average number of ordinary shares in issue during the financial year of RM135,800,000 (2013: RM135,800,000).

## 28 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are as follows:

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Core Equity I ("CET I") Capital and Tier I Capital</u>		
Share capital	135,800	135,800
Retained profits	245,728	239,879
Other disclosed reserves		
- Statutory reserve	132,898	130,949
- Unrealised gains and losses on available-for-sale financial instruments	1,033	1,017
	<u>515,459</u>	<u>507,645</u>
Less: regulatory adjustments		
- Deferred tax assets	(626)	(285)
- 55% of cumulative gains of available-for-sale financial instruments	(569)	(560)
Total CET I and Tier I capital	<u>514,264</u>	<u>506,800</u>
<u>Tier-II Capital</u>		
Collective assessment allowance *	1,157	255
Total capital	<u><u>515,421</u></u>	<u><u>507,055</u></u>

\* Excludes collective assessment allowance on impaired loans restricted from Tier-II Capital of the Bank of RM18,909 (2013: RM73,511).

Capital ratios

	<u>2014</u>	<u>2013</u>
CET I capital ratio	37.532%	53.417%
Tier I capital ratio	37.532%	53.417%
Total capital ratio	<u><u>37.617%</u></u>	<u><u>53.444%</u></u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

**28 CAPITAL ADEQUACY (CONTINUED)**

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

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

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

	31.12.2014		31.12.2013	
	<u>Principal</u> RM'000	<u>Risk-weighted</u> RM'000	<u>Principal</u> RM'000	<u>Risk-weighted</u> RM'000
(i) Credit risk				
0%	879,774	-	2,211,603	-
20%	912,010	182,402	441,376	88,275
35%	317	111	495	173
50%	239,120	119,560	74,154	37,077
75%	220	165	336	252
100%	450,430	450,430	268,308	268,308
	<u>2,481,871</u>	<u>752,668</u>	<u>2,996,272</u>	<u>394,085</u>
(ii) Market risk	-	487,299	-	439,647
(iii) Operational risk	-	130,218	-	115,036
	<u>2,481,871</u>	<u>1,370,185</u>	<u>2,996,272</u>	<u>948,768</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

2013 <u>Exposure class</u>	Gross <u>Exposures</u> RM'000	Net <u>exposures</u> RM'000	Risk weighted <u>assets</u> RM'000	Capital <u>requirements</u> RM'000
<u>Credit risk</u>				
On-balance sheet exposures:				
Sovereigns/central banks	2,210,815	2,210,815	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	396,294	396,294	79,259	6,341
Corporates	111,749	111,749	111,749	8,940
Residential mortgages	871	871	446	36
Other assets	14,902	14,902	14,171	1,134
Defaulted exposures	171	171	168	13
Total on-balance sheet exposures	2,734,802	2,734,802	205,793	16,464
Off-balance sheet exposures:				
OTC derivatives	124,077	124,077	57,375	4,590
Off-balance sheet exposures other than OTC derivatives or credit derivatives	138,730	137,393	130,917	10,473
Total off-balance sheet exposures	262,807	261,470	188,292	15,063
Total on and off-balance sheet exposures	2,997,609	2,996,272	394,085	31,527
<u>Market risk</u>				
	Long <u>position</u> RM'000	Short <u>position</u> RM'000		
Foreign currency risk	3,881	87,352	87,352	6,988
Interest rate risk			352,295	28,184
Total market risk exposure			439,647	35,172
<u>Operational risk</u>			115,036	9,203
Total RWA and capital requirements			948,768	75,902

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

2014 Risk weights	Exposures after netting and credit risk mitigation (RM'000)							Total risk weighted assets	
	Sovereigns/ Central banks	Insurance cos, securities firms & fund managers	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets		Equity
0%	876,553	-	-	-	-	-	3,221	-	879,774
20%	-	-	912,010	-	-	-	-	-	912,010
35%	-	-	-	-	317	-	-	-	317
50%	-	-	239,090	-	30	-	-	-	239,120
75%	-	-	-	-	220	-	-	-	220
100%	-	19,604	-	406,003	48	-	24,775	-	450,430
<b>Total exposures</b>	<b>876,553</b>	<b>19,604</b>	<b>1,151,100</b>	<b>406,003</b>	<b>615</b>	<b>-</b>	<b>27,996</b>	<b>-</b>	<b>2,481,871</b>
<b>Risk weighted assets by exposure</b>	-	19,604	301,947	406,003	339	-	24,775	-	752,668
<b>Average risk weight</b>	-	100.00%	26.23%	100.00%	55.12%	-	88.49%	-	30.33%
<b>Deduction from capital base</b>	-	-	-	-	-	-	-	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

2013 Risk weights	Exposures after netting and credit risk mitigation (RM'000)										Total risk weighted assets
	Sovereigns/ Central banks	Insurance cos, securities firms & fund managers	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation		
0%	2,210,872	-	-	-	-	-	731	-	2,211,603	-	-
20%	-	-	441,376	-	-	-	-	-	441,376	-	88,275
35%	-	-	-	-	495	-	-	-	495	-	173
50%	-	-	74,100	-	54	-	-	-	74,154	-	37,077
75%	-	-	-	-	336	-	-	-	336	-	252
100%	-	-	-	253,970	167	-	14,171	-	268,308	-	268,308
<b>Total exposures</b>	<b>2,210,872</b>	<b>-</b>	<b>515,476</b>	<b>253,970</b>	<b>1,052</b>	<b>-</b>	<b>14,902</b>	<b>-</b>	<b>2,996,272</b>	<b>-</b>	<b>394,085</b>
<b>Risk weighted assets by exposure</b>	<b>-</b>	<b>-</b>	<b>125,325</b>	<b>253,970</b>	<b>619</b>	<b>-</b>	<b>14,171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,085</b>
<b>Average risk weight</b>	<b>0.00%</b>	<b>0.00%</b>	<b>24.31%</b>	<b>100.00%</b>	<b>58.84%</b>	<b>0.00%</b>	<b>95.09%</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>	<b>13.15%</b>
<b>Deduction from capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

28 CAPITAL ADEQUACY (CONTINUED)

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

2013 <u>Description</u>	<u>Principal amount</u> RM'000	Positive fair value of derivative <u>contracts</u> RM'000	Credit equivalent <u>amount*</u> RM'000	Risk weighted <u>assets</u> RM'000
Direct credit substitutes	45,473	-	45,473	41,216
Transaction related contingent items	23,325	-	11,663	8,167
Short term self liquidating trade related contingencies	1,022	-	204	204
Foreign exchange related contracts				
One year or less	2,970,058	24,513	74,666	36,299
Over one year to five years	146,981	1,446	8,795	6,591
Interest/profit related contracts				
One year or less	200,000	149	649	130
Over one year to five years	1,435,790	4,210	37,257	13,813
Over five years	30,000	10	2,710	542
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	406,901	-	81,380	81,323
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	20	-	10	7
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,110	-	-	-
<b>Total</b>	<b>5,260,680</b>	<b>30,328</b>	<b>262,807</b>	<b>188,292</b>

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****28 CAPITAL ADEQUACY (CONTINUED)**

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

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

Nature of commitments and contingencies

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

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

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

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

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



**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****29 USE OF FINANCIAL INSTRUMENTS****A Financial risk management objectives and policies**

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

**Market risk management**

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

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

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

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

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

## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

##### A Financial risk management objectives and policies (continued)

###### Credit risk management

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

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

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

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

###### Liquidity risk management

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**29 **USE OF FINANCIAL INSTRUMENTS (CONTINUED)**A **Financial risk management objectives and policies** (continued)**Liquidity risk management** (continued)

BAMB has in place the following liquidity risk mitigation:

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

**Operational risk management**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

B Interest rate risk

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

2014 Assets	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
Cash and short-term funds	1,618,373	-	-	-	-	23,931	-	1,642,304
Deposits and placements with banks	-	3,934	-	-	-	-	-	3,934
Securities held-for-trading ('HFT')	-	-	-	-	-	-	622,870	622,870
Securities available-for-sale ('AFS')	-	-	-	-	-	2,995	-	2,995
Loans, advances and financing	136,470	18,162	72,233	8,209	1,598	(1,381) <sup>^</sup>	-	235,291
Other assets	-	-	-	-	-	14,785	6,530	21,315
Derivative assets	-	-	-	-	-	-	91,423	91,423
Tax recoverable	-	-	-	-	-	2,727	-	2,727
Deferred taxation	-	-	-	-	-	626	-	626
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	3,000	-	3,000
Property, plant and equipment	-	-	-	-	-	7,140	-	7,140
<b>Total assets</b>	<b>1,754,843</b>	<b>22,096</b>	<b>72,233</b>	<b>8,209</b>	<b>1,598</b>	<b>53,823</b>	<b>720,823</b>	<b>2,633,625</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

B Interest rate risk (continued)

2014	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	1,233,802	26,028	1,981	-	-	626,924	-	1,888,735
Deposits and placements of banks and other financial institutions	10,736	29,597	-	-	-	35,407	-	75,740
Bills and acceptances payable	-	-	-	-	-	31,746	-	31,746
Other liabilities	-	-	-	-	-	9,233	51,437	60,670
Derivative liabilities	-	-	-	-	-	-	61,275	61,275
<b>Total liabilities</b>	<b>1,244,538</b>	<b>55,625</b>	<b>1,981</b>	<b>-</b>	<b>-</b>	<b>703,310</b>	<b>112,712</b>	<b>2,118,166</b>
<b>On-balance sheet - interest rate gap</b>	<b>510,305</b>	<b>(33,529)</b>	<b>70,252</b>	<b>8,209</b>	<b>1,598</b>			

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

B Interest rate risk (continued)

2013	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
<b>Assets</b>								
Cash and short-term funds	2,501,735	-	-	-	-	11,424	-	2,513,159
Deposits and placements with banks	-	-	-	-	-	-	-	-
Securities held-for-trading ('HFT')	-	-	-	-	-	-	573,520	573,520
Securities available-for-sale ('AFS')	70,826	13,954	-	-	-	2,995	-	87,775
Loans, advances and financing	98,624	5,853	106	7,800	1,431	(1,160) <sup>^</sup>	-	112,654
Other assets	-	-	-	-	-	3,773	2,697	6,470
Derivative assets	-	-	-	-	-	-	31,905	31,905
Tax recoverable	-	-	-	-	-	4,174	-	4,174
Deferred taxation	-	-	-	-	-	285	-	285
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	2,300	-	2,300
Property, plant and equipment	-	-	-	-	-	7,941	-	7,941
<b>Total assets</b>	<b>2,671,185</b>	<b>19,807</b>	<b>106</b>	<b>7,800</b>	<b>1,431</b>	<b>31,732</b>	<b>608,122</b>	<b>3,340,183</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

**B Interest rate risk (continued)**

<u>2013</u>	<u>Up to 1 month RM'000</u>	<u>&gt;1 - 3 months RM'000</u>	<u>&gt;3 - 12 months RM'000</u>	<u>&gt;1 - 5 years RM'000</u>	<u>Over 5 years RM'000</u>	<u>Non- interest bearing RM'000</u>	<u>Trading book RM'000</u>	<u>Total RM'000</u>
<u>Liabilities</u>								
Deposits from customers	726,511	418,756	83,814	231	-	659,019	-	1,888,331
Deposits and placements of banks and other financial institutions	864,507	5,053	-	-	-	8,294	-	877,854
Bills and acceptances payable	-	-	-	-	-	19,111	-	19,111
Other liabilities	-	-	-	-	-	9,889	15,197	25,086
Derivative liabilities	-	-	-	-	-	-	22,156	22,156
<b>Total liabilities</b>	<b>1,591,018</b>	<b>423,809</b>	<b>83,814</b>	<b>231</b>	<b>-</b>	<b>696,313</b>	<b>37,353</b>	<b>2,832,538</b>
<b>On-balance sheet - interest rate gap</b>	<b>1,080,167</b>	<b>(404,002)</b>	<b>(83,708)</b>	<b>7,569</b>	<b>1,431</b>			

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Interest rate risk (continued)

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

	31.12.2014			
	<u>MYR</u> %	<u>USD</u> %	<u>GBP</u> %	<u>AUD</u> %
<u>Financial assets</u>				
Cash and short-term funds	3.25	0.05	-	2.23
Deposits and placements with banks	-	-	-	2.63
Securities held-for-trading ('HFT')	3.66	-	-	-
Loans, advances and financing	4.53	0.80	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Financial liabilities</u>				
Deposits from customers	2.64	0.15	-	1.92
Deposits and placements of banks and other financial institutions	2.78	0.23	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	31.12.2013			
	<u>MYR</u> %	<u>USD</u> %	<u>GBP</u> %	<u>AUD</u> %
<u>Financial assets</u>				
Cash and short-term funds	3.00	0.45	0.45	2.39
Deposits and placements with banks	-	-	-	-
Securities held-for-trading ('HFT')	3.30	-	-	-
Securities available-for-sale ('AFS')	2.96	-	-	-
Loans, advances and financing	4.02	3.25	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Financial liabilities</u>				
Deposits from customers	2.77	0.17	0.35	2.00
Deposits and placements of banks and other financial institutions	2.75	0.11	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Contractual maturity of assets and liabilities

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

2014

Assets

	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
Cash and short-term funds	1,642,304	-	-	-	-	-	-	1,642,304
Deposits and placements with banks	-	-	3,934	-	-	-	-	3,934
Securities held-for-trading ('HFT')	75,107	9,987	190,598	7,257	138,446	201,475	-	622,870
Securities available-for-sale ('AFS')	-	-	-	-	-	15	2,980	2,995
Loans, advances and financing	35,077	101,131	17,934	43,996	27,650	9,503	-	235,291
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	3,000	3,000
Other assets*	-	-	-	-	-	-	31,808	31,808
Derivative assets	780	14,924	10,991	15,891	33,578	15,259	-	91,423
	<u>1,753,268</u>	<u>126,042</u>	<u>223,457</u>	<u>67,144</u>	<u>199,674</u>	<u>226,252</u>	<u>37,788</u>	<u>2,633,625</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

2014

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
Deposits from customers	1,671,257	189,066	26,028	566	1,818	-	-	1,888,735
Deposits and placements of banks and other financial institutions	40,948	5,195	29,597	-	-	-	-	75,740
Bills and acceptances payable	31,746	-	-	-	-	-	-	31,746
Other liabilities	-	-	-	-	-	-	60,670	60,670
Derivative liabilities	170	7,316	4,544	31,566	8,526	9,153	-	61,275
	<u>1,744,121</u>	<u>201,577</u>	<u>60,169</u>	<u>32,132</u>	<u>10,344</u>	<u>9,153</u>	<u>60,670</u>	<u>2,118,166</u>
Net liquidity gap	<u>9,147</u>	<u>(75,535)</u>	<u>163,288</u>	<u>35,012</u>	<u>189,330</u>	<u>217,099</u>	<u>(22,882)</u>	

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

	2013	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
<b>Assets</b>									
Cash and short-term funds		2,347,882	165,277	-	-	-	-	-	2,513,159
Deposits and placements with banks		-	-	-	-	-	-	-	-
Securities held-for-trading ('HFT')		-	324,889	9,501	50,712	702	187,716	-	573,520
Securities available-for-sale ('AFS')		-	70,826	13,954	-	-	15	2,980	87,775
Loans, advances and financing		42,689	55,724	5,818	67	3	8,353	-	112,654
Statutory deposit with Bank Negara Malaysia		-	-	-	-	-	-	2,300	2,300
Other assets*		-	-	-	-	-	-	18,870	18,870
Derivative assets		2,298	541	8,201	1,139	13,599	6,127	-	31,905
		<u>2,392,869</u>	<u>617,257</u>	<u>37,474</u>	<u>51,918</u>	<u>14,304</u>	<u>202,211</u>	<u>24,150</u>	<u>3,340,183</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

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

2013

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
Deposits from customers	1,235,854	148,263	417,008	84,077	1,485	1,644	-	1,888,331
Deposits and placements of banks and other financial institutions	534,615	338,186	5,053	-	-	-	-	877,854
Bills and acceptances payable	19,111	-	-	-	-	-	-	19,111
Other liabilities	-	-	-	-	-	-	25,086	25,086
Derivative liabilities	609	10,033	1,626	4,602	2,017	3,269	-	22,156
	<u>1,790,189</u>	<u>496,482</u>	<u>423,687</u>	<u>88,679</u>	<u>3,502</u>	<u>4,913</u>	<u>25,086</u>	<u>2,832,538</u>
Net liquidity gap	<u>602,680</u>	<u>120,775</u>	<u>(386,213)</u>	<u>(36,761)</u>	<u>10,802</u>	<u>197,298</u>	<u>(936)</u>	<u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities

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

2014

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
Deposits from customers	1,671,299	189,359	26,111	570	1,848	-	-	1,889,187
Deposits and placements of banks and other financial institutions	40,949	5,203	29,620	-	-	-	-	75,772
Bills and acceptances payable	31,746	-	-	-	-	-	-	31,746
Other liabilities <sup>^</sup>	-	-	-	-	-	-	53,214	53,214
	<u>1,743,994</u>	<u>194,562</u>	<u>55,731</u>	<u>570</u>	<u>1,848</u>	<u>-</u>	<u>53,214</u>	<u>2,049,919</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Non-derivative financial liabilities (continued)

2013

	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>Liabilities</u>								
Deposits from customers	1,235,858	148,520	419,205	84,869	1,519	1,644	-	1,891,615
Deposits and placements of banks and other financial institutions	534,616	338,217	5,073	-	-	-	-	877,906
Bills and acceptances payable	19,111	-	-	-	-	-	-	19,111
Other liabilities <sup>^</sup>	-	-	-	-	-	-	18,208	18,208
	<u>1,789,585</u>	<u>486,737</u>	<u>424,278</u>	<u>84,869</u>	<u>1,519</u>	<u>1,644</u>	<u>18,208</u>	<u>2,806,840</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Liquidity risk (continued)

Non-derivative financial liabilities (continued)

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

	One year or less RM'000	Over one year RM'000	Total RM'000
<u>2014</u>			
Direct credit substitutes	77,251	23,099	100,350
Transaction related contingent items	41,096	5,881	46,977
Short-term self liquidating trade related contingencies	590	-	590
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	426,774	-	426,774
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	30	30
Any commitments that are unconditionally cancelled at any time by the bank, without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,013	-	1,013
	<u>546,724</u>	<u>29,010</u>	<u>575,734</u>
<u>2013</u>			
Direct credit substitutes	27,590	17,883	45,473
Transaction related contingent items	13,108	10,217	23,325
Short-term self liquidating trade related contingencies	1,022	-	1,022
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	406,901	-	406,901
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	-	20	20
Any commitments that are unconditionally cancelled at any time by the bank, without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,110	-	1,110
	<u>449,731</u>	<u>28,120</u>	<u>477,851</u>



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

C Liquidity risk (continued)

Derivative financial liabilities

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

2014

Gross-settled derivatives:

Forwards and swaps

Receipts

Payments

Interest rate and cross currency swaps

Receipts

Payments

	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
396,751	488,415	757,814	854,879	590,945	77,983	3,166,787	
(395,931)	(481,706)	(750,267)	(867,159)	(575,122)	(77,916)	(3,148,101)	
820	6,709	7,547	(12,280)	15,823	67	18,686	
5,339	16,685	100,301	110,181	244,478	752,906	1,229,890	
(5,281)	(17,161)	(99,824)	(110,859)	(246,276)	(747,523)	(1,226,924)	
58	(476)	477	(678)	(1,798)	5,383	2,966	
878	6,233	8,024	(12,958)	14,025	5,450	21,652	

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29	USE OF FINANCIAL INSTRUMENTS (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	Total RM'000
C	<u>Liquidity risk</u> (continued)							
	<u>Derivative financial liabilities</u> (continued)							
	<u>Gross-settled derivatives:</u>							
	Forwards and swaps							
	Receipts	867,448	215,345	358,304	270,531	1,175,956	201,485	3,089,069
	Payments	(866,684)	(225,075)	(351,885)	(274,594)	(1,178,428)	(200,564)	(3,097,230)
		764	(9,730)	6,419	(4,063)	(2,472)	921	(8,161)
	Interest rate and cross currency swaps							
	Receipts	-	325	13,351	14,055	28,951	192,167	248,849
	Payments	-	(320)	(13,717)	(14,052)	(28,696)	(189,623)	(246,408)
		-	5	(366)	3	255	2,544	2,441
		764	(9,725)	6,053	(4,060)	(2,217)	3,465	(5,720)

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

D Currency risk

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

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

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

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

\* This represents other receivables.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

D Currency risk (continued)

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

⊗ This represents other payables.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Currency risk (continued)

2013	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Assets</u>							
Cash and short-term funds	2,119,562	379,660	1,506	2,485	5,355	4,591	2,513,159
Deposits and placements with banks	-	-	-	-	-	-	-
Securities held-for-trading ('HFT')	573,520	-	-	-	-	-	573,520
Securities available-for-sale ('AFS')	87,775	-	-	-	-	-	87,775
Loans, advances and financing <sup>^</sup>	112,515	139	-	-	-	-	112,654
Other assets*	2,766	3,664	-	-	-	-	6,430
Derivative assets	31,905	-	-	-	-	-	31,905
Statutory deposit with Bank Negara Malaysia	2,300	-	-	-	-	-	2,300
	<u>2,930,343</u>	<u>383,463</u>	<u>1,506</u>	<u>2,485</u>	<u>5,355</u>	<u>4,591</u>	<u>3,327,743</u>

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

\* This represents other receivables.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

D Currency risk (continued)

2013	MYR RM'000	USD RM'000	SGD RM'000	GBP RM'000	AUD RM'000	Others RM'000	Total RM'000
<u>Liabilities</u>							
Deposits from customers	1,396,591	481,801	282	1,704	5,193	2,760	1,888,331
Deposits and placements of banks and other financial institutions	22,552	855,302	-	-	-	-	877,854
Bills and acceptances payable	18,094	1,017	-	-	-	-	19,111
Other liabilities <sup>@</sup>	433	17,701	4	38	32	-	18,208
Derivative liabilities	22,156	-	-	-	-	-	22,156
	<u>1,459,826</u>	<u>1,355,821</u>	<u>286</u>	<u>1,742</u>	<u>5,225</u>	<u>2,760</u>	<u>2,825,660</u>
Currency gap	<u>1,470,517</u>	<u>(972,358)</u>	<u>1,220</u>	<u>743</u>	<u>130</u>	<u>1,831</u>	

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

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

## 29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit riskMaximum 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>2014</u> RM'000	<u>2013</u> RM'000
<u>Assets</u>			
Cash and short-term funds	2	1,639,082	2,512,429
Deposits and placements with banks		3,934	-
Securities held-for-trading ('HFT')	3	622,870	573,520
Securities available-for-sale ('AFS')	4	15	84,795
Loans, advances and financing <sup>^</sup>	5	235,291	112,654
Other assets		20,928	6,430
Derivative assets	7	91,423	31,905
Total assets*		<u>2,613,543</u>	<u>3,321,733</u>
Commitments and contingencies		16,731,088	5,260,680
Total credit exposure		<u>19,344,631</u>	<u>8,582,413</u>

<sup>^</sup> Net of collective impairment and individual impairment of RM1,381,137 (2013: RM1,160,487).

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

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

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

Collaterals

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration risk by geographical sectors

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

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

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

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

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

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



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration risk by geographical sectors (continued)

2013	Cash and short-term funds RM'000	Deposits and placements with banks RM'000	Securities held-for trading ('HFT') RM'000	Securities available-for-sale ('AFS') RM'000	Loans, advances and financing <sup>^</sup> RM'000	Other assets RM'000	Derivative assets RM'000	On sheet total* RM'000	On Commitments and contingencies RM'000	Total credit exposure RM'000
Malaysia	2,497,797	-	573,520	84,795	112,654	2,766	29,709	3,301,241	4,926,500	8,227,741
United States	1,278	-	-	-	-	3,664	1,669	6,611	111,702	118,313
India	50	-	-	-	-	-	-	50	-	50
Singapore	5,473	-	-	-	-	-	-	5,473	606	6,079
Others	7,831	-	-	-	-	-	527	8,358	221,872	230,230
	<u>2,512,429</u>	<u>-</u>	<u>573,520</u>	<u>84,795</u>	<u>112,654</u>	<u>6,430</u>	<u>31,905</u>	<u>3,321,733</u>	<u>5,260,680</u>	<u>8,582,413</u>

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM1,160,487.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration of risk by economic sectors

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Concentration of risk by economic sectors (continued)

2013	Cash and short-term funds	Deposits and placements with banks	Securities held-for-trading ('HFT')	Securities for-sale ('AFS')	Loans and advances <sup>^</sup>	Other assets	Derivative assets	On-balance sheet total*	Commitments and contingencies	Total credit exposure
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mining and quarrying	-	-	-	-	139	-	-	139	221	360
Manufacturing	-	-	-	-	83,456	-	2,513	85,969	1,012,359	1,098,328
General commerce	-	-	-	-	20,586	-	4	20,590	20,311	40,901
Finance, insurance and business services	393,596	-	-	-	5,726	6,430	29,388	435,140	4,176,835	4,611,975
Government and government agencies	2,118,833	-	573,520	84,795	713	-	-	2,777,861	48,660	2,826,521
Construction	-	-	-	-	-	-	-	-	1,164	1,164
Purchase of residential landed property, securities and transport vehicles	-	-	-	-	1,923	-	-	1,923	20	1,943
Others	-	-	-	-	111	-	-	111	1,110	1,221
	2,512,429	-	573,520	84,795	112,654	6,430	31,905	3,321,733	5,260,680	8,582,413

<sup>^</sup> Net of collective assessment allowance and individual assessment allowance of RM1,160,487.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing

Loans, advances and financing are summarised as follows:

	<u>2014</u> RM'000	<u>2013</u> RM'000
Neither past due nor impaired	236,261	112,541
Past due but not impaired	133	270
Individually impaired	278	1,003
	<hr/>	<hr/>
Gross	236,672	113,814
Less: Allowance for losses on loans, advances and financing:		
- Individual assessment allowance	(205)	(831)
- Collective assessment allowance	(1,176)	(329)
	<hr/>	<hr/>
Net	<u>235,291</u>	<u>112,654</u>

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

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

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

\*RR = Risk Rating

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing (continued)

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

	<u>Government agencies</u> RM'000	<u>Government &amp; large corporate customers</u> RM'000	<u>Staff loans</u> RM'000	<u>Mortgages</u> RM'000	<u>Total</u> RM'000
<u>2013</u>					
(RR1) – Exceptional	-	133	-	-	133
(RR2) – Excellent	-	322	-	-	322
(RR3) – Strong	713	49,132	-	-	49,845
(RR4) – Good	-	38,643	1,067	-	39,710
(RR5) – Satisfactory	-	-	-	-	-
(RR6) – Acceptable	-	21,778	-	601	22,379
Unrated	-	152	-	-	152
Total	<u>713</u>	<u>110,160</u>	<u>1,067</u>	<u>601</u>	<u>112,541</u>

\*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>Mortgages</u> RM'000
<u>2014</u>	
Past due up to 30 days	121
Past due 30 - 60 days	12
Past due 60 - 90 days	-
Past due more than 90 days	-
Total	<u>133</u>
<u>2013</u>	
Past due up to 30 days	204
Past due 30 - 60 days	66
Past due 60 - 90 days	-
Past due more than 90 days	-
Total	<u>270</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Loans, advances and financing (continued)

(c) Loans, advances and financing individually impaired

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

	<u>Mortgages</u> RM'000
<u>2014</u>	
Gross impaired	278
Less: Individual allowance	(205)
Net impaired	<u>73</u>
<u>2013</u>	
Gross impaired	1,003
Less: Individual allowance	(831)
Net impaired	<u>172</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

E Credit risk (continued)

Credit quality of financial assets

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

	Malaysian Government Securities ("MGS") RM'000	Malaysian Government Investment Issues RM'000	Treasury bills RM'000	Bank Negara bills RM'000	Unquoted securities RM'000	Total RM'000
<u>2014</u>						
<u>Securities available-for-sale ('AFS')</u>						
Sovereign rating (AAA to A-)	-	-	-	-	15	15
<u>Securities held-for-trading ('HFT')</u>						
Sovereign rating (AAA to A-)	369,532	10,001	-	243,337	-	622,870
	<u>369,532</u>	<u>10,001</u>	<u>-</u>	<u>243,337</u>	<u>15</u>	<u>622,885</u>
<u>2013</u>						
<u>Securities available-for-sale ('AFS')</u>						
Sovereign rating (AAA to A-)	-	-	19,949	64,831	15	84,795
<u>Securities held-for-trading ('HFT')</u>						
Sovereign rating (AAA to A-)	199,499	-	374,021	-	-	573,520
	<u>199,499</u>	<u>-</u>	<u>393,970</u>	<u>64,831</u>	<u>15</u>	<u>658,315</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

29 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

F Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Bank as at 31 December 2014.

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

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

Interest rate risk sensitivity analysis on banking book

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>100 basis points parallel shocks</u>		
Earnings-at-risk	11,369	10,332
Economic Value Loss	(8,512)	(5,701)
	<u>          </u>	<u>          </u>

Foreign currency sensitivity analysis

	<u>2014</u> RM'000	<u>2013</u> RM'000
<u>Impact to profit after tax</u>		
- 1%	191	8,254
+ 1%	304	(7,910)
	<u>          </u>	<u>          </u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Fair value measurement at end of the financial year using:			
	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<u>Financial assets at fair value through profit or loss</u>				
Securities held-for-trading ('HFT')				
- Malaysian Government Securities	199,499	199,499	-	-
- Bank Negara Malaysia Bills	374,021	374,021	-	-
Derivative assets				
- Foreign exchange forwards and swaps	27,536	-	27,536	-
- Interest rate and cross currency swaps	4,369	-	4,369	-
<u>Securities available-for-sale ('AFS')</u>				
Bank Negara Malaysia Bills	19,949	-	19,949	-
Malaysian Treasury bills	64,831	-	64,831	-
Unquoted shares	2,980	-	-	2,980
Total assets	693,185	573,520	116,685	2,980
<u>Financial liabilities at fair value through profit or loss</u>				
Derivative liabilities				
- Foreign exchange forwards and swaps	20,278	-	20,278	-
- Interest rate and cross currency swaps	1,878	-	1,878	-
Total liabilities	22,156	-	22,156	-

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

Financial instruments in Level 1

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

Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2014:

	<u>Unquoted shares</u> RM'000
Opening balance	
Total gains recognised in other comprehensive income	2,980
Sales	-
	<hr/>
Closing balance	2,980
	<hr/> <hr/>
Total gains for the year included in profit or loss for assets held at the end of the year	-
	<hr/> <hr/>
Gains or losses included in profit or loss for the year are presented in 'Other Operating Income' as follows:	
Total gains included in profit or loss for the year	-
	<hr/> <hr/>
Total gains or losses for the year included in profit or loss for assets held at the end of the year	-
	<hr/> <hr/>

The following table presents the changes in Level 3 instruments for the year ended 31 December 2013:

	<u>Unquoted shares</u> RM'000
Opening balance	4,744
Total gains recognised in other comprehensive income	-
Sales	(1,764)
	<hr/>
Closing balance	2,980
	<hr/> <hr/>
Total gains for the year included in profit or loss for assets held at the end of the year	-
	<hr/> <hr/>
Gains or losses included in profit or loss for the year are presented in 'Other Operating Income' as follows:	
Total gains included in profit or loss for the year	1,884
	<hr/> <hr/>
Total gains or losses for the year included in profit or loss for assets held at the end of the year	-
	<hr/> <hr/>

**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)****30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**Financial instruments in Level 3 (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 <u>31.12.2014</u> RM'000	Valuation <u>technique</u> RM'000	Significant unobservable <u>inputs</u> RM'000	Reasonable possible <u>shift</u> RM'000
<u>Securities Available-for-Sale ('AFS')</u>				
Unquoted Shares	RM2,980	Net tangible asset	Net tangible asset	+/- 5%
	Fair value at <u>31.12.2013</u> RM'000	Valuation <u>technique</u> RM'000	Significant unobservable <u>inputs</u> RM'000	Reasonable possible <u>shift</u> RM'000
<u>Securities Available-for-Sale ('AFS')</u>				
Unquoted Shares	RM2,980	Net tangible asset	Net tangible asset	+/- 5%

If the Net Tangible Asset had been 5% higher/lower, with all other variable held constant, the Bank's Other Comprehensive Income would have been RM182,447 (2013: RM37,238) higher and RM47,819 (2013: RM179,199) 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 as at 31 December 2014, but for which fair value is disclosed.

	Carrying <u>value</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Financial assets</u>				
Cash and short-term funds	1,642,304	1,642,304	-	1,642,304
Deposits and placement with banks	3,934	3,934	-	3,934
Loans, advances and financing*	236,467	-	236,500	236,500
Other receivables	20,928	-	20,928	20,928
Statutory deposits with Bank Negara Malaysia	3,000	3,000	-	3,000
<b>Total</b>	<b>1,906,633</b>	<b>1,649,238</b>	<b>257,428</b>	<b>1,906,666</b>

\* Excludes collective impairment allowances

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value (continued)

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

	<u>Carrying value</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Financial liabilities</u>				
Deposits from customers	1,888,735	-	1,888,735	1,888,735
Deposits and placement of banks and other financial institutions	75,740	-	75,740	75,740
Bills and acceptances payable	31,746	-	31,746	31,746
Other payables	53,214	-	53,214	53,214
Total	<u>2,049,435</u>	<u>-</u>	<u>2,049,435</u>	<u>2,049,435</u>

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value as at 31 December 2013, but for which fair value is disclosed.

	<u>Carrying value</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Total</u> RM'000
<u>Financial assets</u>				
Cash and short-term funds	2,513,159	2,513,159	-	2,513,159
Deposits and placement with banks	-	-	-	-
Loans, advances and financing*	112,983	-	112,950	112,950
Other receivables	6,430	-	6,430	6,430
Statutory deposits with Bank Negara Malaysia	2,300	2,300	-	2,300
Total	<u>2,634,872</u>	<u>2,515,459</u>	<u>119,380</u>	<u>2,634,839</u>
<u>Financial liabilities</u>				
Deposits from customers	1,888,331	-	1,888,425	1,888,425
Deposits and placement of banks and other financial institutions	877,854	-	877,854	877,854
Bills and acceptances payable	19,111	-	19,111	19,111
Other payables	18,208	-	18,208	18,208
Total	<u>2,803,504</u>	<u>-</u>	<u>2,803,598</u>	<u>2,803,598</u>

\* Excludes collective impairment allowances

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

Financial instruments not measured at fair value (continued)

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

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

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

(b) Loans, advances and financing

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

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

(c) Deposits from customers

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

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

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

(e) Other receivables and other payables

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

(f) Bills and acceptances payable

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

Company No.	
310983	V

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

31 **OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets

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

	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Financial Instruments RM'000	Cash collateral received RM'000	Net amount RM'000
<u>2014</u>					
Derivative financial assets	91,423	-	(34,711)	(39,209)	17,503
<u>2013</u>					
Derivative financial assets	31,905	-	(6,945)	(15,053)	9,907



Company No.\*

310983 V

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)**

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

Financial liabilities

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

	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Gross amounts of recognised financial liabilities presented in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Financial Instruments RM'000	Cash collateral paid RM'000	Net amount RM'000
<u>2014</u>						
Derivative financial liabilities	61,275	-	61,275	(34,711)	(6,463)	20,101
<u>2013</u>						
Derivative financial liabilities	22,156	-	22,156	(6,945)	(1,818)	13,393

Company No.

310983	V
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## BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

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

#### 32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on **25 JUN 2015**

Company No.

310983

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**BANK OF AMERICA MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

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

We, Raymond Yeoh Cheng Seong and David Allan Cairns, being two of the Directors of Bank of America Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 10 to 104 are drawn up so as to give a true and fair view of the state of affairs of the Bank as at 31 December 2014 and of the results and cash flows of the Bank for the financial year ended on that date and in accordance with the provisions of the Companies Act, 1965, MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and Bank Negara Malaysia Guidelines.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 June 2015.



RAYMOND YEOH CHENG SEONG  
DIRECTOR



DAVID ALLAN CAIRNS  
DIRECTOR

**STATUTORY DECLARATION**

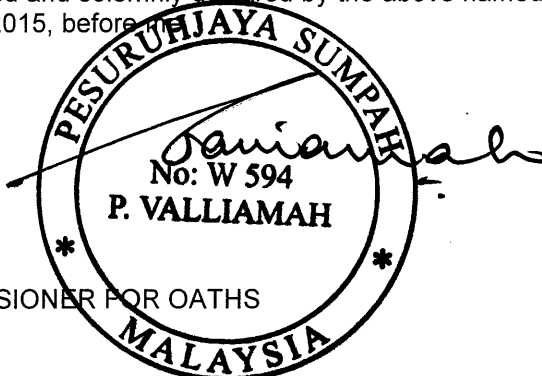
**PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

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 10 to 104 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



YVONNE LEW EE-WERN

Subscribed and solemnly declared by the above named Yvonne Lew Ee-Wern at Kuala Lumpur on 25 June 2015, before



COMMISSIONER FOR OATHS

No. 4-13, 4th Floor, Wisma Komwa  
No. 40 & 42, Jalan Tun Perak  
(Lebuh Ampang)  
50050 Kuala Lumpur



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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank of America Malaysia Berhad, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 104.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

ONG CHING CHUAN  
(No. 2907/11/15 (J))  
Chartered Accountant

Kuala Lumpur, Malaysia

25 JUN 2015