Bank of America Malaysia Berhad

Pillar 3 Disclosures

As at 31 December 2014

Attestation by Chief Executive Officer

This is to certify that Bank of America Malaysia Berhad's Basel II Pillar 3 Disclosure as at 31 December 2014, prepared in accordance with the requirements of Bank Negara Malaysia's Guideline on Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) are accurate, complete and not misleading.

RAYMOND YEOH CHENG SEONG

Chief Executive Officer

Contents

1. Scope of Application

Bank of America Malaysia Berhad – BAMB ("Bank" or "BAMB") is a limited company, incorporated and domiciled in Malaysia. The holding company and ultimate holding company of the Bank are BankAmerica International Financial Corporation ("BIFC") and Bank of America Corporation ("BAC") respectively, both incorporated in the United States of America. The Bank is principally engaged in all aspects of the banking business and in the provision of related services.

The provisions of Malaysian Financial Reporting Standard ("MFRS") 10 "Consolidated Financial Statements" and MFRS 128 "Investments in Associates and Joint Ventures", issued by the Malaysian Accounting Standards Board ("MASB") do not apply to the Bank. Hence the disclosures in this report are made for the Bank as a standalone entity.

2. Capital Adequacy

2.1. Capital Management

The Bank is required to comply with all applicable laws and regulations in Malaysia including guidelines issued by Bank Negara Malaysia ("BNM") and other relevant regulatory bodies.

The Board of Directors and Local Management Team ("LMT") of the Bank is responsible for ensuring that the Bank complies with global policies, procedures and corporate governance practices. These include policies relating to Basel II and in particular, the Internal Capital Adequacy Assessment Process ("ICAAP") framework which is also a BNM requirement.

The LMT comprises of members from various functional areas of the Bank. The LMT is headed by the BAMB Chief Executive Officer (CEO). Other members of the LMT include Senior Sales officers (from Fixed Income, Currencies and Commodities ("FICC"), Corporate Banking ("CBK"), Corporate Banking Subsidiaries ("CBK-S"), Global Treasury Solutions ("GTS") and Global Vendor Financing ("GVF"), Country Operations Officer, Country Human Resources Manager, Country Finance Officer (CFO), Country Compliance Manager, Country Treasurer, Country Risk Officer (CRO) and Country Corporate Audit Officer.

The ICAAP process seeks to ensure that the Bank maintains sufficient capital at all times, plans for all future capital requirements and at the same time, maintains adequate governance and monitoring over its material risks. It establishes a framework for the Bank to perform a comprehensive assessment of the risks they face and relate capital to those risks. The capital analysis performed by the Bank is expected to encompass all risks, not just the risks captured under Basel II Pillar 1 minimum regulatory capital calculation. Successful risk identification and measurement requires having a comprehensive process to quantify, measure and aggregate these various risks in order to ensure that the Bank's capital resources are sufficient to cushion volatility in earnings due to unexpected losses.

2.2. Core Equity Tier I ("CET I") Capital Ratio, Tier I Capital Ratio and Total Capital Ratio

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.

Table 1.1: Capital Ratios

	31.12.2014	31.12.2013
CET I Capital Ratio	37.532%	53.417 %
Tier I Capital Ratio	37.532%	53.417 %
Total Capital Ratio	37.617%	53.444 %

Table 1.2: Minimum Capital Ratios

	CET I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
31.12.2014	4.000%	5.500%	8.000%
31.12.2013	3.500%	4.500%	8.000%

2.3. Risk Weighted Assets ("RWA") and Capital Requirements

The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk for computing its capital requirement. The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's Capital Adequacy Framework (Basel II – Risk-Weighted Assets) guidelines.

Key:
^ Exposure at Default ("EAD")
# Credit Risk Mitigation ("CRM")
* Profit Sharing Investment Account ("PSIA")

Table 2.1: Exposures as at 31 December 2014

Exposure Class	Gross Exposures/^EAD before #CRM	Net Exposures/^EAD after #CRM	RWA	RWA absorbed by *PSIA	Total RWA after effects of PSIA	Capital Requirements
31.12.2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Risk						
On-Balance Sheet Exposures:						
Sovereigns/Central Banks	876,462	876,462	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	16,420	16,420	16,420	-	16,420	1,314
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	779,375	779,375	155,875	-	155,875	12,470
Corporates	219,027	219,027	219,027	-	219,027	17,522
Residential Mortgages	528	528	271	-	271	22
Other Assets	27,996	27,996	24,775	-	24,775	1,982
Defaulted Exposures	72	72	58	-	58	5
Total On-Balance Sheet Exposures	1,919,880	1,919,880	416,426	-	416,426	33,315
Off-Balance Sheet Exposures:						
OTC Derivatives	352,989	352,989	146,066	-	146,066	11,685
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	209,327	209,002	190,176	-	190,176	15,214
Total Off-Balance Sheet Exposures	562,316	561,991	336,242	-	336,242	26,899

Exposure Class (Continued) 31.12.2014	Gross Exposures/^EAD before #CRM RM'000		Net Exposures/^EAD after #CRM RM'000	RWA RM'000	RWA absorbed by *PSIA RM'000	Total RWA after effects of PSIA RM'000	Capital Requirements RM'000
Total On and Off-Balance Sheet Exposures		2,482,196	2,481,871	752,668	-	752,668	60,214
Market Risk	Long Position	Short Position					
Foreign currency	2,497	31,970		31,970	-	31,970	2,558
Interest rate				455,329	-	455,329	36,426
Total Market Risk Exposure				487,299	-	487,299	38,984
Total Operational Risk Exposure				130,218	-	130,218	10,417
Total RWA and Capital Requirements				1,370,185	-	1,370,185	109,615

Table 2.2: Exposures as at 31 December 2013

Exposure Class 31.12.2013	Gross Exposures/^EAD before #CRM RM'000		Net Exposures/^EAD after #CRM RM'000	RWA RM'000	RWA absorbed by *PSIA RM'000	Total RWA after effects of PSIA RM'000	Capital Requirements RM'000
Credit Risk							
On-Balance Sheet Exposures:							
Sovereigns/Central Banks		2,210,815	2,210,815	-	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")		396,294	396,294	79,259	-	79,259	6,341
Corporates		111,749	111,749	111,749	-	111,749	8,940
Residential Mortgages		871	871	446	-	446	36
Other Assets		14,902	14,902	14,171	-	14,171	1,134
Defaulted Exposures		171	171	168	-	168	13
Total On-Balance Sheet Exposures		2,734,802	2,734,802	205,793	-	205,793	16,464
Off-Balance Sheet Exposures:							
OTC Derivatives		124,077	124,077	57,375	-	57,375	4,590
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives		138,730	137,393	130,917	-	130,917	10,473
Total Off-Balance Sheet Exposures		262,807	261,470	188,292	-	188,292	15,063
Total On and Off-Balance Sheet Exposures		2,997,609	2,996,272	394,085	-	394,085	31,527
Market Risk	Long Position	Short Position					
Foreign currency	3,881	87,352		87,352	-	87,352	6,988

Exposure Class (Continued) 31.12.2013	Gross Exposures/^EAD before #CRM RM'000	Net Exposures/^EAD after #CRM RM'000	RWA RM'000	RWA absorbed by *PSIA RM'000	Total RWA after effects of PSIA RM'000	Capital Requirements RM'000
Interest rate			352,295	-	352,295	28,184
Total Market Risk Exposure			439,647	-	439,647	35,172
Total Operational Risk Exposure			115,036	-	115,036	9,203
Total RWA and Capital Requirements			948,768	-	948,768	75,902

3. Capital Structure

The Bank's total regulatory capital is made up of Common Equity Tier I and Tier II capital as follows:

Common Equity Tier I ("CET I") Capital consists of ordinary paid-up share capital, statutory reserve fund, approved retained profits and unrealised gains and losses on available-for-sale financial instruments, less net deferred tax asset and applicable regulatory adjustments.

There is no obligation to pay dividend to ordinary shareholders. No dividend has been paid or proposed for the financial year ending 31 December 2014.

Tier II Capital consists of collective impairment allowance for non-impaired loans, advances and financing.

The components of CET I/Tier I and Tier II capital are as follows:

Table 3.1: Components of Capital

	31.12.2014 RM'000	31.12.2013 RM'000
CET I/Tier I Capital		
Share Capital	135,800	135,800
Retained Profits	245,728	239,879
Other Disclosed Reserves:		
Statutory Reserves	132,898	130,949
Unrealised gains and losses on available-for-sale financial instruments	1,033	1,017
	515,459	507,645
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	514,264	506,800
Tier II Capital		
Collective Assessment Allowance*	1,157	255
Total Capital	515,421	507,055

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

4. Risk Management

The Risk officers in BAMB adopt the Global Risk Framework under Bank of America Corporation ("BAC") and are guided by the Bank Negara Malaysia ("BNM") guidelines and procedures.

The following lays out BAMB's risk management approach, risk taking capacity and risk management processes:

4.1. BAMB's Risk Management Approach

BAMB is committed to maintaining strong and consistent risk management practices. The five (5) components of BAMB's risk management approach are as follows:

- Risk Culture: A strong risk culture promotes the consideration of risk in all activities and benefits the overall performance of BAMB through actions including identification, escalation and debate. Each employee is responsible for proactively managing risks;
- Risk Capacity: The Risk Taking Capacity collectively defines the aggregate level and types of risk BAMB is willing to accept in order to achieve its business objectives.
- Risk Governance: Governance and organization ensure everyone considers risk management in their regular business activities;
- Risk Reporting: Effective risk reporting provides a clear understanding of BAMB's risk profile. We leverage data to achieve transparency, generate actionable insights and support business decisions; and
- Risk Management Processes: We integrate risk management in strategic, capital and financial planning and daily business processes. This helps us prepare for and responds to risk quickly.

4.1.1. Risk Taking Capacity

BAMB adopts a disciplined approach to understanding and managing risk to minimize the volatility of its financial results and to protect its brand and reputation. BAMB is committed to maintaining strong and consistent risk management practices and aims to balance its capacity for risk to commensurate with its capital and liquidity, while seeking to adhere to all applicable rules and regulations in Malaysia.

The document on Risk Taking Capacity defines the main principles, governance and methodologies that ensure that BAMB activities and culture and aligned to the above stated risk management philosophy.

Governance Processes and Controls

Approval
BAMB's Risk Taking Capacity metrics are approved annually. A thorough review and assessment of the Risk Taking Capacity metrics following the design principles in the Risk Taking Capacity document will be initiated by the CRO. The stakeholders for each Risk Category above will be engaged in this review process. Upon completion of the review and assessment, the CRO will put forth a recommendation to the LMT for appropriate Risk Taking Capacity metrics that will be applicable for the following 12 months. The recommended Risk Taking Capacity metrics will first be approved by the LMT, followed by the BAMB Board Risk Management Committee (RMC), and finally by the BAMB Board of Directors.

Monitoring
The monitoring of performance against the BAMB Risk Taking Capacity metrics is carried out on a monthly basis via a performance report to the LMT. The performance report will also be tabled to the BAMB RMC and Board for their noting.

Exceptions
Breaches of any Risk Taking Capacity triggers serve as an early warning signal and will be highlighted to LMT. LMT will determine if any mitigating actions should be taken.

Breaches of any Risk Taking Capacity triggers or limits are escalated and managed as outlined below:-

- Escalation to the BAMB Chief Executive Officer (CEO) and BAMB Country Risk Officer (CRO) shall occur as soon as practically possible.
- The BAMB CRO will notify the LMT of the breach. Depending on the materiality of the breach, an ad-hoc LMT meeting will be convened as soon as practically possible to discuss remediation steps.
- The BAMB CEO and CRO will determine if the BAMB Board of Directors should be notified based on the materiality of the breach. A temporary limit increase may be approved by the CEO and CRO if considered appropriate. This will be presented and approved at the next BAMB Board of Directors meeting, with permanent increases subject to approval by the Board.
- All limit breaches and progress on remediation are reported to the BAMB Board of Directors at each Board meeting until they are successfully remediated.

4.1.2. Risk Management Structure

All BAMB employees are responsible for the below risk management:

- **Businesses:** Business managers and associates are accountable for identifying and managing all risks in their business units, including existing and emerging risks. Business managers must ensure that their business activities are conducted within BAMB's Risk Taking Capacity document. BAMB risk teams are responsible for establishing policies, limits, standards, controls, metrics and thresholds within the defined corporate standards.

- **Governance & Control:** The BAMB Risk teams, including the CRO, Credit Risk and Market Risk, are independent from the Businesses, and maintain sufficient autonomy to develop and implement meaningful risk management measures. Corporate Operational Risk, Enterprise Credit Risk Vendor Risk Management, Enterprise Stress Testing and Global Recovery and Resolution Planning are responsible for setting and establishing enterprise policies, programs and standards, assessing program adherence, providing enterprise-level risk oversight, reporting and monitoring for systemic and emerging risk issues. In addition, the BAMB risk teams are responsible for monitoring and ensuring risk limits within their function are reasonable and consistent with the BAMB's Risk Taking Capacity.

- **Corporate Audit:** The BAMB Corporate Audit function maintains independence from the Businesses and Governance & Control Functions by reporting directly to the Audit Committee of BAMB. The Corporate Audit provides independent assessment and validation through testing of key processes and controls.

Oversight of BAMB's Board and Senior Management: Credit approval, monitoring and control functions receive their authority and guidance from BAMB's Board and this is cascaded down to the functional level through the Risk Framework, Risk Management Guideline and approved Policies and Procedures. Senior management is well qualified and has significant experience in the industry. Senior management and line functionaries have adequate understanding demonstrated by low Non-Performing Assets (NPAs) and reinforced by ongoing trainings.

4.1.3. Risk Management Process

On a day-to-day basis, BAMB's employees are responsible for managing risks that impact the interests of the Bank. Employees are provided ongoing training opportunities on risk management and are given clear, detailed guidance through supporting processes such as governance bodies (e.g. committees) and supporting management documents (e.g. policies, procedures, standard operating requirements, guidelines, playbooks, etc). BAMB employs a simple but effective overarching risk management process, referred to as IMMR. This process builds on employees' regular tasks and ensures a solid knowledge base for mitigating risk:

- **Identify and measure:** To be effectively managed, risks must be clearly defined, proactively identified and accurately measured. Proper risk identification focuses on recognizing and understanding existing risks, or risks that may arise from business initiatives, strategic actions or emerging external factors.
- **Mitigate and control**: Risk mitigation processes and controls help manage exposure to risk. The mitigation and control of risk is done by establishing and communicating risk limits and controls through policies, standards and procedures that define responsibility and authority for risk taking.
- **Monitor and test:** The monitoring and testing of risk levels is done regularly to ensure adherence to risk management, thresholds, guidance, policies and standards. Through monitoring risks, BAMB identifies whether risk limits are breached and has carefully designed processes to trigger appropriate steps to report and escalate issues. These steps may include immediate requests for approval to managers and alerts to LMT and the Board (directly or through an appropriate Board-level committee).
- **Report and review:** Risk and compliance reporting provides an assessment of BAMB's performance and the effectiveness of internal governance and control systems. Reports are regularly produced and distributed to the BAMB Board, LMT and individual Businesses to prompt action when needed.

4.2. Credit Risk

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its repayment or delivery obligations under previously agreed upon terms and conditions. Credit risk is managed based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions and expectations.

Credit Risk Officers perform due diligence comprising analysis of credit risk and preparation of approval memorandum including Risk Rating, identification of Sources of Repayment and Credit Risks, recommendation of facilities (including traded products with potential credit exposures) with required terms and conditions. Credit approvals are provided in line with the applicable Corporate or Financial Institution credit approval grid. The onshore Counterparty Credit Risk (CCR) or Financial Institution Credit Risk (FICR) officers have delegated authorities as BAMB credit risk approvers. While escalation of approvals may occur to regional or global officers, all credit actions require sign-off from the onshore BAMB CCR or FICR officer as well, without which these credit actions are not considered approved.

Credit risk in BAMB primarily arises from its banking and trading activities.

- Lending exposure to clients and takes the form of uncommitted and/or committed exposures.
- Funded and unfunded exposures to clients under Trade Financing facilities.
- Counterparty credit risk exposures arising from FX and interest rate hedging activities.
- Holding of debt securities issued by governments, corporates or financial institutions.
- Due from placements or Repo transactions with financial institutions.
- Global Vendor Financing

In addition, BAMB routinely trades with other affiliated counterparties, often with the purpose to hedge market risk exposures or to place excess funds.

Credit Risk Taking Capacity

The Risk Taking Capacity metrics for credit risk addresses both credit quality and concentration risks and are considered in light of BAMB's target client set and business activities.

BAMB's credit portfolio as of 31 December 2014 primarily comprises exposure to the Government of Malaysia, large local and foreign commercial banks operating in Malaysia, and the Malaysian subsidiaries of MNCs.

- Exposure to the Government of Malaysia consists of due from placements with Bank Negara Malaysia.
- Exposure to large local and foreign commercial banks primarily comprises due from placements, FX swaps, FX forwards, cross currency swaps, and interest rate swaps. Client selection is considered sound and most derivative and FX exposure is traded under Credit Support Annexes ("CSAs"), mitigating the exposure through the posting of collateral based on pre-agreed terms.
- Credit exposure to Malaysian subsidiaries of MNCs consists primarily of working capital and trade facilities extended on an uncommitted/on-demand basis and FX forwards. Client selection is considered sound and credit exposure benefits from offshore parent support.

Credit Concentration Risk

Credit Concentration Risk Metrics: established to monitor concentration risks which could expose BAMB to higher risk of credit losses if there is undue concentration in any specific industry or client relationship. Concentration risk is monitored via expressed limits on certain higher risk industries as well as guidelines on single relationship concentration.

Credit Portfolio Management

Once credit has been extended, the credit risk exposures are monitored at both the individual and portfolio levels, as well as to actively manage the portfolio to ensure that it fits the desired risk and return goals.

At the borrower level, the risk inherent in the ongoing business of the borrower is reviewed. At the portfolio level, the aggregate losses, credit concentrations and potential stress scenarios are assessed. Regular portfolio reporting and business-specific credit reviews enable BAMB to detect deteriorating credit trends, develop mitigation strategies and measure the effectiveness of actions taken.

CCR and FICR, as well as supporting units, are responsible for the ongoing management and administration of credit risk at the borrower level by:

- Monitoring borrower risk ratings on an ongoing basis, and if necessary, adjusting to reflect changes in the financial condition, cash flow, risk profile or outlook of a borrower or counterparty;

- Monitoring performance by updating the customer analysis and reviewing periodically;
- Monitoring collateral;
- Undertaking periodic portfolio reviews to ensure management is aware of borrower specific trends for a given portfolio;
- Recognizing developing problems and promptly bringing them to the attention of management;
- Recommending exposure management measures;
- 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.

Post Disbursement Supervision: BAMB's Loan Servicing department houses and supervises documentation. Documentation requirements are tracked manually and through the Global Banking System which is updated on an ongoing basis whenever there are changes to the facilities, document types, etc. Physical documents are reviewed on an ongoing basis by the account officers. Any shortfall in documentation is highlighted pre-disbursal and appropriate approvals taken. There is an independent exception reporting system wherein any documentation shortfall is approved and tracked until resolved.

Management Information System (MIS): BAMB has an advanced IT infrastructure. All credit filing and credit approvals are done electronically. Ongoing tracking or monitoring is also done electronically through internal systems like the Enterprise Credit Risk Information System (ECRIS) and Credit Studio (for FX and derivatives related risk information).

Credit risk is calculated using the standardized approach with risk weightings attached to assets as per regulatory guidelines.

4.2.1. Breakdown of Gross Credit Exposures

(a) By Geographical Distribution

Table 4.1: Exposures by Geographical Distribution as at 31 December 2014

Category	Malaysia RM'000	United States RM'000	Singapore RM'000	India RM'000	Others RM'000	Total RM'000
31.12.2014						
Sovereign/Central Banks	876,553	-	-	-	-	876,553
Insurance Cos, Securities Firms & Fund Managers	19,604	-	-	-	-	19,604
Banks, DFIs, and MDBs	810,163	51,426	284,200	1	5,310	1,151,100
Corporates	406,127	-	-	-	201	406,328
Residential Mortgages	537	-	-	-	-	537
Other Assets	27,996	-	-	-	-	27,996
Defaulted Exposures	78	-	-	-	-	78
Total as at 31 December 2014	2,141,058	51,426	284,200	1	5,511	2,482,196

Table 4.2: Exposures by Geographical Distribution as at 31 December 2013

	Malaysia	United States	Singapore	India	Others	Total
Category	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2013						
Sovereign/Central Banks	2,210,872	-	-	-	-	2,210,872
Banks, DFIs, and MDBs	485,494	16,628	5,473	50	7,831	515,476
Corporates	251,901	-	303	-	3,102	255,306
Residential Mortgages	878	-	-	-	-	878
Other Assets	14,902	-	-	-	-	14,902
Defaulted Exposures	175	-	-	-	-	175
Total as at 31 December 2013	2,964,222	16,628	5,776	50	10,933	2,997,609

(b) By Sector Distribution

Table 4.3: Exposures by Sector Distribution

Category	Finance, Insurance and Business Services	Government & Government Agencies	Manufacturing	General Commerce	Mining & Quarrying	Construction	Education, Health and Others	Purchase of Residential Landed Property, Securities, and Transport Vehicles	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12 2014										
Sovereign/Central Banks	-	876,553	-	-	-	-	-	-	-	876,553
Insurance Cos, Securities Firms & Fund Managers	19,604	-	-	-	-	-	-	-	-	19,604
Banks, DFIs, and MDBs	1,151,100	-	-	-	-	-	-	-	-	1,151,100
Corporates	50,219	1,590	214,164	79,516	12,818	3,597	44,424	-	-	406,328
Residential Mortgages	-	-	-	-	-	-	-	537	-	537
Other Assets	26,536	-	-	-	-	-	-	1,400	60	27,996
Defaulted Exposures	-	-	-	-	-	-	-	78	-	78
Total as at 31 December 2014	1,247,459	878,143	214,164	79,516	12,818	3,597	44,424	2,015	60	2,482,196
31.12 2013										
Sovereign/Central Banks	-	2,210,872	-	-	-	-	-	-	-	2,210,872
Banks, DFIs, and MDBs	515,476	-	-	-	-	-	-	-	-	515,476
Corporates	23,366	1,590	179,310	43,326	4,129	3,585	-	-	-	255,306
Residential Mortgages	-	-	-	-	-	-	-	878	-	878
Other Assets	13,835	-	-	-	-	-	-	975	92	14,902
Defaulted Exposures	-	-	-	-	-	-	-	175	-	175
Total as at 31 December 2013	552,677	2,212,462	179,310	43,326	4,129	3,585	-	2,028	92	2,997,609

(c) By Residual Maturity

Table 4.4: Exposures by Residual Maturity

Category	Up to 1 Year RM'000	than 1 Year to 5 Years RM'000	More than 5 Years RM'000	Total RM'000
31.12.2014				
Sovereign/Central Banks	875,989	549	15	876,553
Insurance Cos, Securities Firms & Fund Managers	18,043	1,561	-	19,604
Banks, DFIs, and MDBs	931,919	213,497	5,684	1,151,100
Corporates	377,541	28,787	-	406,328
Residential Mortgages	65	192	280	537
Other Assets	26,576	268	1,152	27,996
Defaulted Exposures	-	49	29	78
Total as at 31 December 2014	2,230,133	244,903	7,160	2,482,196
31.12.2013				
Sovereign/Central Banks	2,210,144	713	15	2,210,872
Banks, DFIs, and MDBs	470,484	42,282	2,710	515,476
Corporates	222,836	32,470	-	255,306
Residential Mortgages	7	434	437	878
Other Assets	14,016	279	607	14,902
Defaulted Exposures	33	100	42	175
Total as at 31 December 2013	2,917,520	76,278	3,811	2,997,609

4.2.2. Breakdown of Gross Impaired Loans, Past Due Loans and Impairment Provisions

(a) Gross Impaired Loans, Advances and Financing Analysed by Sector and Geographical Area

Table 5.1: Impaired Loans, Advances and Financing by Sector and Geographical Area

	31.12.2014 RM'000	31.12.2013 RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	278	1,003
Total Gross Impaired Loans, Advances and Financing	278	1,003
Gross Impaired Loans as a % of Gross Loans, Advances and Financing	0.12%	0.88%

(b) Gross Loan, Advances and Financing Past Due but Not Impaired, Analysed by Sector and Geographical Area

Table 5.2: Loans, Advances and Financing Past Due but Not Impaired by Sector and Geographical Area

	31.12.2014 RM'000	31.12.2013 RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	133	270
Total Gross Loans, Advances and Financing Past Due by Not Impaired	133	270

(c) Impairment Provisions, Analysed by Sector and Geographical Area

Table 5.3: Individual Assessment Allowance by Sector and Geographical Area

	31.12.2014	31.12.2013
	RM'000	RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	205	831
Total Individual Assessment Allowance	**205**	**831**

Table 5.4: Collective Assessment Allowance by Sector and Geographical Area

Category	Malaysia	Total
	RM'000	RM'000
31.12.2014		
Finance, Insurance and Business Services	289	289
General Commerce	772	772
Manufacturing	91	91
Education, Health and Others	1	1
Government & Government Agencies	2	2
Purchase of Residential Landed Property, Securities and Transport Vehicles	21	21
Total Collective Assessment Allowance as at 31 December 2014	**1,176**	**1,176**
31.12.2013		
Finance, Insurance and Business Services	26	26
General Commerce	114	114
Manufacturing	99	99
Mining & Quarrying	13	13
Government & Government Agencies	1	1
Purchase of Residential Landed Property, Securities and Transport Vehicles	76	76
Total Collective Assessment Allowance as at 31 December 2013	**329**	**329**

(d) Movement in Individual Assessment Allowance by Sector

Table 5.5: Movement in Individual Assessment Allowance by Sector

	Purchase of Residential Landed Property, Securities and Transport Vehicles	Others	Total
	RM'000	RM'000	RM'000
In Malaysia			
At 1 January 2014	831	-	831
Allowance Made	52	-	52
Amount No Longer Required, Written Back	(678)	-	(678)
At 31 December 2014	**205**	**-**	**205**
In Malaysia			
At 1 January 2013	761	9	770
Allowance Made	192	-	192
Amount No Longer Required, Written Back	(122)	(9)	(131)
At 31 December 2013	831	-	831

(e) Reconciliation of Changes in Loan Impairment Provisions

Table 5.6: Reconciliation of Changes in Loan Impairment Provisions

	31.12.2014 RM'000	31.12.2013 RM'000
Individual Assessment Allowance		
At Beginning of Financial Year	831	770
Allowance Made During the Financial Year	52	192
Write Back Made During the Financial Year	(678)	(131)
At End of Financial Year	205	831
Collective Assessment Allowance		
At Beginning of Financial Year	329	609
Allowance Made During the Financial Year	847	-
Write Back Made During the Financial Year	-	(280)
At End of Financial Year	1,176	329

4.2.3. Standardised Approach to Credit Risk

Under the standardised approach for credit risk, the determination of the capital requirements is based on an approach that links predefined risk weights to predefined classes of assets to which credit exposures are assigned.

For Sovereigns/Central Banks, Public Sector Entities, Banking Institutions and Corporates, external ratings are used as basis for determination of risk weights. These external ratings are provided by External Credit Assessment Institutions ("ECAI") recognised by BNM, namely:

- Standard & Poor's Rating Services ("S&P");
- Moody's Investors Service ("Moody's");
- Fitch Ratings ("Fitch"); and
- RAM Rating Services Berhad ("RAM").

The following is a summary of risk weights and rating categories used in assigning credit quality to credit exposures under the standardised approach:

Table 6.1: Rating Categories of Sovereigns / Central Banks

Rating Category	S&P	Moody's	Fitch	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to Ba3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	150%
Unrated				100%

Table 6.2: Rating Categories of Banking Institutions

Rating Category	S&P	Moody's	Fitch	RAM	Risk Weight	Risk Weight (Original Maturity of 6 Months or Less)	Risk Weight (Original Maturity of 3 Months or Less)
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	50%	20%	
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	50%	20%	
4	BB+ to B-	Ba1 to Ba3	BB+ to B-	BB1 to B3	100%	50%	
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	150%	150%	
Unrated					50%	20%	

Table 6.3: Rating Categories of Corporates

Rating Category	S&P	Moody's	Fitch	RAM	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	100%
4	B+ to D	B1 to C	B+ to D	B1 to D	150%
Unrated					100%

In cases where counterparty is rated by more than one ECAI, all available external ratings of the counterparty are captured and the following rules observed

- Where 2 recognised external ratings are available, the lower rating is to be applied; or
- Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for the capital adequacy calculation purposes.

(a) Breakdown of Credit Risk Exposures by Risk Weights

Table 6.4: Exposures by Risk Weights

	Exposures After Netting and Credit Risk Mitigation (RM'000)							
Risk Weights	Sovereigns/ Central Banks	Insurance Cos, Securities Firms & Fund Mangers	Banks, DFIs & MDBs	Corporates	Residential Mortgages	Other Assets	Total Exposures After Netting and Credit Risk Mitigation	Total RWA
31.12.2014								
0%	876,553	-	-	-	-	3,221	879,774	-
20%	-	-	912,010	-	-	-	912,010	182,402
35%	-	-	-	-	317	-	317	111
50%	-	-	239,090	-	30	-	239,120	119,560
75%	-	-	-	-	220	-	220	165
100%	-	19,604	-	406,003	48	24,775	450,430	450,430
Total as at 31 December 2014	876,553	19,604	1,151,100	406,003	615	27,996	2,481,871	752,668

Risk Weights	Sovereigns/ Central Banks	Insurance Cos, Securities Firms & Fund Mangers	Banks, DFIs & MDBs	Corporates	Residential Mortgages	Other Assets	Total Exposures After Netting and Credit Risk Mitigation	Total RWA
	Exposures After Netting and Credit Risk Mitigation (RM'000) (Continued)							
RWA by Exposure	-	19,604	301,947	406,003	339	24,775		752,668
Average Risk Weight	0.00%	100.00%	26.23%	100.00%	55.12%	88.49%		30.33%
Deduction from Capital Base	-	-	-	-	-	-		
31.12.2013								
%	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
Total as at 31 December 2013	2,210,872	-	515,476	253,970	1,052	14,902	2,996,272	394,085
RWA by Exposure	-	-	125,325	253,970	619	14,171		394,085
Average Risk Weight	0.00%	-	24.31%	100.00%	58.84%	95.09%		13.15%
Deduction from Capital Base	-	-	-	-	-	-		

(b) Breakdown of Credit Risk Exposures by ECAI Ratings

Table 6.5: Sovereigns / Central Bank Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	Total	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2014	876,553	876,553	-	-	-	-	-
31.12.2013	2,210,872	2,210,872	-	-	-	-	-

Table 6.6: Banks, DFIs and MDBs Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	
	Total	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2014	1,151,100	143,593	951,600	55,632	-	-	275
31.12.2013	515,476	38,952	471,188	5,080	-	-	256

Table 6.7: Insurance Cos, Securities Firms and Fund Managers Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	
	Total	1	2	3	4	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2014	19,604	-	-	-	-	19,604
31.12.2013	-	-	-	-	-	-

Table 6.8: Corporate Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	
	Total	1	2	3	4	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2014	406.328	-	-	1.590	-	404.738
31.12.2013	255,306	-	-	1,590	-	253,716

4.2.4. Credit Risk Mitigation

Credit Risk Mitigation ("CRM") techniques include, where appropriate:

- Legally enforceable master netting agreements;
- Initial collateral or margin;
- Right to terminate transactions or to obtain collateral should unfavourable events occur;
- Right to call for collateral when certain exposure thresholds are exceeded; and/or
- Third party guarantees and credit default protection

On and Off-Balance Sheet Netting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only 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.

For derivatives counterparties, the Bank enters into master netting arrangements, which provide the Bank, in the event of a customer default, the right to offset the counterparty's rights and obligations.

The Bank has not employed on or off-balance sheet netting to mitigate its credit exposures as of 31 December 2014.

Collateralised Transactions

The main types of collateral obtained by the Bank are in the form of cash, fixed deposits and residential properties. The Bank also pledges cash collateral on its own derivative positions.

Cash deposit and cash equivalents held in traditional Bank deposit platform are valued at nominal value stated for the instrument. Valuation is performed on quarterly basis if held in BAC or its subsidiaries' accounts, and on monthly basis if held in other financial institutions.

Cash security taken as collateral should be denominated in the same currency as the underlying loan or in US Dollar, Malaysian Ringgit and EURO. In the event, there is any mis-match in currency exposure against the collateral provided, the Bank will require additional collateral to be pledged to mitigate the risk.

Collateral qualifies as CRM for regulatory capital purposes if:-

- Documentation conforms to the Basel requirements, binding on all parties and legally enforceable in all relevant jurisdictions;
- The credit quality of the counterparty and the value of collateral does not have a material positive correlation for the collateral to provide effective cover;
- There are clear and robust procedures for timely liquidation of collateral; and
- Collateral are appropriately valued and monitored both at origination and on an on-going basis. Collateral which lacks substantiated market value or clear right to accelerate and realize on collateral value will not be considered for CRM.

Guarantees and Credit Default Protection

The Bank routinely accepts contractual credit enhancements such as guarantees, Standby Letters of Credit, or other support issued by third party, such as the parent company, or other financial institution in favour of the Bank as CRM. Prior to acceptance of such credit enhancements for CRM purpose, Credit Officers must assess the credit strength of the Guarantor or support provider, including its financial willingness and motivation to support the borrower. Legal counsel for the Bank must also review and opine on the strength and enforceability of all guarantees.

As at 31 December 2014, the Bank has not entered into any credit derivative transactions for credit default protection.

Risk Concentrations

Credit exposures arising from credit risk mitigation are included in and monitored through the concentration limits as described in "Credit Concentration Risk" under Section 4.2.

There is no material concentration of credit risk mitigation held as at 31 December 2014.

Credit Risk Mitigation under Comprehensive Approach

Subject to standard supervisory haircuts, where applicable, eligible cash collateral is deducted from the gross credit exposure for capital adequacy purpose. The net balance is then used as the basis of calculating the risk weighted asset and the resulting capital requirement.

Table 7.1: Credit Risk Mitigation as at 31 December 2014

Credit Risk Exposures	Gross Exposures/^EAD before #CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
31.12.2014	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	876,462	-	-	-
Insurance Cos, Securities Firms & Fund Managers	16,420	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	779,375	-	-	-
Corporates	219,027	-	-	-
Residential Mortgages	528	-	-	-
Other Assets	27,996	-	-	-
Defaulted Exposures	72	-	-	-
Total On-Balance Sheet Exposures	1,919,880	-	-	-
Off-Balance Sheet Exposures:				
OTC Derivatives	352,989	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	209,327	-	325	-
Total Off-Balance Sheet Exposures	562,316	-	325	-
Total On and Off-Balance Sheet Exposures	2,482,196	-	325	-

Table 7.2: Credit Risk Mitigation as at 31 December 2013

Credit Risk Exposures	Gross Exposures/^EAD before #CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
31.12.2013	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	2,210,815	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	396,294	-	-	-
Corporates	111,749	-	-	-
Residential Mortgages	871	-	-	-
Other Assets	14,902	-	-	-
Defaulted Exposures	171	-	-	-
Total On-Balance Sheet Exposures	2,734,802	-	-	-
Off-Balance Sheet Exposures:				
OTC Derivatives	124,077	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	138,730	-	1,337	-
Total Off-Balance Sheet Exposures	262,807	-	1,337	-
Total On and Off-Balance Sheet Exposures	2,997,609	-	1,337	-

4.2.5. Off-Balance Sheet Exposures and Counterparty Credit Risk ("CCR")

CCR is the risk that the counterparty to a transaction could default or deteriorate in creditworthiness before the final settlement of a transaction's cash flow. Counterparties can include other financial institutions, corporate entities or individuals.

The Bank has off-balance sheet exposure comprising of banking products and Over-The-Counter ("OTC") derivatives exposures which are included under Pillar 1 capital requirement.

For regulatory capital, credit risk for a derivative contract is an estimate of the potential future changes in value (represented by the Notional amount of the contract multiplied by a credit conversion factor) and the replacement cost, which is the positive mark-to-market (MTM) value of the contract. A positive MTM is a credit exposure for the Bank since it is owed money - a counterparty default in this situation exposes it to a loss equivalent to the MTM. A negative MTM, on the other hand, means the Bank owes money to the counterparty and is not considered an exposure. Credit exposure is therefore asymmetric with respect to the underlying rate or price.

The exposure to CCR exposures is managed as part of the overall lending limits as described in "Credit Risk" under Section 4.2.

Table 8.1: Off-Balance Sheet Exposures as at 31 December 2014

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	RWA
Off-Balance Sheet Exposures	RM'000	RM'000	RM'000	RM'000
31.12.2014				
Direct Credit Substitutes [1]	100,350	-	100,350	86,982
Transaction Related Contingent Items [2]	46,977	-	23,489	18,222
Short Term Self Liquidating Trade-Related Contingencies[3]	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	-	-	-
Total as at 31 December 2014	**16,731,088**	**91,192**	**562,316**	**336,242**
31.12.2013				
Direct Credit Substitutes [1]	45,473	-	45,473	41,216
Transaction Related Contingent Items [2]	23,325	-	11,663	8,167
Short Term Self Liquidating Trade-Related Contingencies[3]	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

Off-Balance Sheet Exposures (Continued)	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	RWA RM'000
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	-	-	-
Total as at 31 December 2013	5,260,680	30,328	262,807	188,292

* The credit equivalent amount is arrived at using the credit conversion factor as per BNM Guidelines

Key:
[1] Financial Guarantees
[2] Performance Guarantees
[3] Documentary Credits & Letters of Credits

Collateral for Traded Products

Collateralisation is one of the key credit risk mitigation techniques available in the privately negotiated OTC Derivatives market. When facing derivative counterparties, the Bank, in appropriate circumstances, enters into collateral arrangements which provide the Bank, in the event of a customer default, the right to liquidate collateral. The Bank also monitors the fair market value of the underlying securities used as collateral, including accrued interest, and, as necessary, requests additional collateral to ensure that the relevant transactions are adequately collateralized.

Collateral Reserves and Credit Ratings Downgrade

As at 31 December 2014, the Bank only accepts or post cash deposits as collateral to derivatives transactions, and does not hold or post any securities as collateral. There is no implication to the collateral value to be posted in the event of credit ratings downgrade, and as such no credit reserves are created for exposures which are secured in such manner.

4.3. Market Risk

Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates, foreign currency exchange rates or security prices. Market risk is inherent in the financial instruments associated with the operations and activities engaged by BAMB and its market risk exposures are primarily in its trading portfolio.

4.3.1. Market Risk Management Architecture

At the core of BAMB's market risk approach are assessing key exposures, setting and monitoring limits where Market Risk Management function operates independently of the business to maintain objectivity. Its responsibilities include the overall measurement and monitoring of market risk.
The key market risk exposures are assessed at both specific and aggregate levels. At specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange.

4.3.2. Oversight of Senior Management

Market Risk Management utilizes a suite of reports which assess risk on a daily basis. Key market risk information is reported to the Senior Management on a periodic basis. Limit excesses, temporary, and permanent limit changes are communicated to the Senior Management, LMT, Asset and Liability Committee ("ALCO") and the Board of Directors of BAMB.

Market risk exposures are governed within the Board and Senior Management approved limit structures with relevant approval processes in place to address temporary limit increases or transfers of limit capacity in accordance with delegated authorities.

Table 9.1: RWA and Capital Requirements for Market Risk

	31.12.2014	31.12.2013
	RM'000	RM'000
Total RWA for Market Risk	487,299	439,647
Capital Required for Market Risk	38,984	35,172
Minimum Capital Requirement at 8% for:		
Foreign Exchange Risk	2,558	6,988
Interest Rate Risk	36,426	28,184

4.4. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. BAMB 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. Operational risk in BAMB resides in every business activity that it undertakes, from lending to transaction processing to trading.

Management of BAMB's operational risk is accomplished through the BAMB CRO and LMT with formal oversight by the BAMB Board of Directors. Operational loss events are captured and reported to the LMT on a monthly basis.

Operational Risk Capital

For the Pillar 1 capital requirements, BAMB uses the Basic Indicator Approach, whereby the average of three years' positive revenue is multiplied by a factor of 15%.

Governance of Operational Risk

Governance of BAMB's operational risk is accomplished through formal oversight by the Board, the CRO and through LMT and risk oversight groups aligned to the BAC's overall risk governance framework and practices.

Roles Accountabilities and Process Owners

Enterprise Operational Risk policies and standards are established by Corporate Operational Risk (COR) and implemented by the Businesses with independent oversight from the Enterprise Control Functions ("ECF") Risk Teams. Operational Risk Management Responsibilities and Governance and Control functions are provided by: Businesses, ECFs, COR, and Independent Businesses or ECF Risk Teams.

4.4.1. Local Operational Risk Management Framework

BAMB has a robust operational risk management framework. Within BAMB, the LMT is responsible for monitoring the Malaysia business operations. As noted above, the Businesses, which are represented within the LMT, are responsible for all the risks within the business including operational risks. Such risks are managed through corporate-wide or line of business 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.

4.5. Equity Exposures in the Banking Book

The Bank's banking book equity investments consist of unquoted shares held for socio-economic purposes. No equity risk arises from the equity investments.

The equity investments are classified as available-for sale and measured at fair value in the financial statements. Unrealised gains and losses arising from changes in fair value of the equity investments are recognised in equity, net of income tax, until such investments are sold, collected or otherwise disposed of, or until such investments are determined to be impaired. Further details on valuation and accounting for financial assets available-for-sale are set out in the financial statements.

(a) Equity Investments by Type

Table 10.1: Holdings of Equity Investments by Type

	31.12.2014		31.12.2013	
	Gross Credit Exposure	Risk Weighted Assets	Gross Credit Exposure	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Privately Held Shares for Socio-Economic Purpose	2,980	2,980	2,980	2,980

(b) Cumulative Realised Gains

Table 10.2: Realised (Losses)/Gains from Sale of Equity Holdings

	31.12.2014	31.12.2013
	RM'000	RM'000
Realised (losses)/gains recognised in profit and loss		
Privately Held Shares for Socio-Economic Purpose	-	1,844

(c) Unrealised Gains/(Losses)

Table 10.3: Unrealised Gains/(Losses) from Sale of Equity Holdings

	31.12.2014	31.12.2013
	RM'000	RM'000
Recognised in Other Comprehensive Income		
Privately Held Shares for Socio-Economic Purpose	-	-

4.6. Interest Rate Risk / Rate of Return in the Banking Book ("IRRBB")

IRRBB represents the banking book's exposure to adverse movements in interest rates. IRRBB is measured as the potential volatility in non-trading net interest income caused by changes in market interest rates. IRRBB refer to the risk of deterioration in financial position (economic value loss) or financial losses due to the impact of changes in interest or benchmark rates over time on banking book exposures arising from activities such as deposit taking, lending or financing, and investment.
Client facing activities, primarily lending and deposit-taking, create interest rate sensitive positions on the balance sheet.

The majority of assets lie with overnight placements and collateral portfolio required for regulatory or clearing purposes, and is maturity-match funded mainly by clients' deposits on the liabilities side. There is only a small amount of interest rate risk in the banking book.

Table 11.1: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2014

	Impact on Positions as at 31 December 2014	
	100 basis points (Parallel Shift)	
	Earnings-at-risk	Economic Value Loss
	RM'000	RM'000
Type of Currency		
MYR	6,390	(355)
USD	4,980	(8,153)
Others	(1)	(4)
Total	11,369	(8,512)

Table 11.2: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2013

	Impact on Positions as at 31 December 2013	
	100 basis points (Parallel Shift)	
	Earnings-at-risk	Economic Value Loss
	RM'000	RM'000
Type of Currency		
MYR	16,171	(2,213)
USD	(5,840)	(3,488)
Others	1	-
Total	10,332	(5,701)

Roles Accountabilities and Process Owners

BAMB manages its IRRBB on a centralized basis in order to remove this control function from individual Businesses. IRRBB management activities are subject to Corporate Treasury market risks limits that are monitored by CFO Risk in Asia and BAMB Market Risk Manager and governance per CFO Risk Committee and endorsed by ALCO.

BAMB assesses the IRRBB exposures through the earnings and the economic value perspectives. The earnings perspective focuses on the impact of interest or benchmark rate changes on near-term earnings while the economic value perspective focuses on the impact of interest or benchmark rate changes on the present value of a banking institution's long-term net cash flow. The two approaches provide different but complementary perspectives on the possible impact of interest or benchmark rates movements on BAMB's financial position.