

BANK OF AMERICA MALAYSIA BERHAD

(Incorporated in Malaysia)

Registration No. 199401025304 (310983-V)

REPORTS AND STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of Bank of America Malaysia Berhad ("the Bank") for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	2020
	RM'000
Profit before taxation	112,465
Taxation	(28,039)
Profit for the financial year	<u>84,426</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 2020.

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.

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.

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS

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

Kellee Kam Chee Khiong (Chairman)	(appointed as Chairman on 4 June 2021)
Raymond Yeoh Cheng Seong	
Ayesha Natchiar Binti Dato Ally Maricar	
Dato' Mohammed Bin Haji Che Hussein	
Sarena Cheah Yean Tih	(appointed on 1 June 2021)
David Allan Cairns	(retired on 31 May 2021)

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.

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings maintained by the Bank in accordance with Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year held any interests in shares in or debentures of the Bank or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

Bank of America Corporation
Number of ordinary shares of USD0.01 each

Shares held by Directors in their own name

	As At 1.1.2020	Acquired/ Granted	Disposed	As at 31.12.2020
Raymond Yeoh Cheng Seong	19,768	9,364	(10,517)	18,615

DIRECTORS' BENEFITS

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

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

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

RISK MANAGEMENT FRAMEWORK

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

BUSINESS PLAN AND STRATEGY FOR THE FINANCIAL YEAR ENDED 2020

Despite the challenging pandemic affected operating environment in 2020 with the majority of our staff working from home, the Bank has maintained a business as usual stance across all our lines of business. We continued to target sustainable growth with the same focus on providing multinationals, large local corporations and financial institutions with commercial banking services and solutions. These include Credit Facilities, Supply Chain and Trade Finance, Vendor Financing, Cash Management and other Treasury services. Bank of America Malaysia Berhad ("BAMB")'s Fixed Income, Currency and Commodity ("FICC") business which participates in the foreign exchange, derivatives and government securities markets continued to satisfy our clients' demand for investment and hedging products. Aggressive easing by central banks globally and BNM locally allowed the Bank's fixed income inventory to benefit from favorable movements in the yield curve. Our very strict client selection criteria also meant no significant impairments in the Bank's credit exposures.

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

OUTLOOK FOR THE FINANCIAL YEAR 2021

We will continue to emphasize the safety of our staff and clients and will revert to a full work from office environment only when we are confident that it would be safe to do so.

We expect anti-globalization sentiments and trade tensions to continue to shape the business decisions of our clients and to see diversification flows away from single country reliance to ensure a more secure supply chain. We suspect that the deflationary forces from technological advances and disruptions, ageing demographics in the developed world will now give way to a more inflationary backdrop with the help of increasingly dovish monetary policy coupled with aggressive fiscal reflation. Large amounts of government, corporate and consumer debt will also further reduce the scope for Global Central Banks to normalize interest rates. Locally, should further downside risks to growth materialize, we expect BNM to respond with even easier monetary policy. Political factors will continue to exert a strong influence on policy makers globally as societies vote against concentrated wealth and income disparity, further globalization and immigration.

Malaysia is expected to benefit from Foreign Direct Investments from MNCs looking to create an alternative supply chain footprint to diversify concentrated geo political vulnerabilities. We expect the Ringgit to trade stronger against a weakening USD but to be in a stable range against the currencies of our other major trading partners. With the lack of recent investments into the fossil fuel energy complex to secure long term output, it is likely that we will see a stronger bid on Oil and Gas prices lessening the stresses on Malaysia's fiscal and foreign exchange reserve positions.

The Bank will stay its course and leverage the competitive advantages gained from the combination of Bank of America's network, financial strength, existing global client base, extensive product and technology platform and its Commercial and Investment Banking presence in Malaysia. We will deliver the products our clients want and need, and will strive to improve the quality of our services and our local platform. We intend to deepen relationships with our existing client base aiming for a greater share of the clients' business in Malaysia. We also expect to onboard new clients who are able to meet our strict client selection criteria. As in 2020, we will continue to have a willingness to extend assistance to any of our clients who require help in line with our global policies and local requirements.

Significant events subsequent to the reporting date has been included in Note 35 to the Financial Statements.

CORPORATE GOVERNANCE STATEMENT

Introduction

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

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.

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DIRECTORS' REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Composition of the Board

As of 31 December 2020, the Board has five (5) members, comprising the Chairman and Independent Director (1), Chief Executive Officer and Executive Director (1), and Independent Directors (3), as follows:

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

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

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

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

Profile of Directors

David Allan Cairns

Chairman and Independent Director

Mr. David Allan Cairns has been a member of the Board of Directors of Bank of America Malaysia Berhad since June 2012. He was appointed Chairman of the Board in May 2015. Mr. Cairns joined Bank of America Corporation ("BAC") in 1990 as the Chief Financial Officer for Merrill Lynch in Australia and relocated to Hong Kong and Singapore in 2004 and 2008, respectively, prior to the BAC/Merrill Lynch merger in late 2008. He served as the Controller for the Asia Pacific Region at BAC until his retirement in April 2015. Mr. Cairns graduated with a Bachelor of Business in Accounting from Monash University (previously Chisholm) and is a Chartered Accountant. He began his career at Coopers & Lybrand, now known as PricewaterhouseCoopers.

Raymond Yeoh Cheng Seong

Chief Executive Officer and Executive Director

Raymond Yeoh Cheng Seong is the Chief Executive Officer of Bank of America Malaysia Berhad ("BAMB") and has been a board member since October 2013. He serves as Country Head, Malaysia and is responsible for Bank of America Merrill Lynch's businesses in Malaysia. Prior to joining Bank of America Merrill Lynch, Mr. Yeoh served as the Country Chief Executive Officer of Deutsche Bank in Malaysia. Between 2003 and 2006, he was head of the Global Markets business of ABN AMRO, Malaysia. In 2000, he was Head of Treasury of Hong Leong Bank Berhad. He has worked in various positions in Hong Kong, London, Singapore, and New York. Mr. Yeoh graduated with a Bachelor of Economics (Honors) from The University of Manchester. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Previously, he served on the boards of The Malaysian German Chamber of Commerce & Industry, Kenanga Investment Bank, Kenanga Holdings Bhd and Deutsche Bank Malaysia Bhd.

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DIRECTORS' REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

Kellee Kam Chee Khiong

Independent Director

Kellee Kam Chee Khiong has served as an Independent Director of Bank of America Malaysia Berhad since October 2016. Mr. Kam has over 19 years of experience in the banking industry and most recently served as the Group Managing Director at RHB Capital Berhad from 2011 to 2015, where he was responsible for group operations across the Banking, Investment Banking, Islamic Banking, Asset Management and Insurance businesses. Prior to that role, he was the Group Chief Financial Officer of RHB Capital Berhad and was responsible for Group Finance and Accounting, MIS, Corporate Finance & M&A, Investor Relations and Strategy for the RHB Capital Group and its subsidiaries. Kellee Kam Chee Khiong graduated with an LL.B from Manchester Metropolitan University in the UK. He also holds an MBA from Richmond College in the UK and an MA in South East Asian Business World from the School of Oriental and African Studies of the University of London.

Ayesha Natchiar Binti Dato Ally Maricar

Independent Director

Ayesha Natchiar Binti Dato Ally Maricar has served as an Independent Director of Bank of America Malaysia Berhad since November 2012. She has over 35 years of experience in the banking industry and was the Chief Internal Auditor of Overseas-Chinese Banking Corporation Limited covering corporate governance and risk management. Ayesha is a Certified Risk Professional; a Certified Fraud Examiner; and is accredited in Internal Quality Assessment and Validation by the Institute of Internal Auditors, Inc (USA). Ayesha has also served on Bank Negara Malaysia's Working Committee on BNM/GP10 "Minimum Audit Standards for Internal Auditors in Financial Institutions". She is also an Associate Member of the Asian Institute of Chartered Bankers, where she served as Chairman of the Chief Internal Auditors Networking Group and was a member of its Examination Committee for internal audit examinations. She is also a Director of Merrill Lynch Malaysian Advisory Sdn. Bhd., a wholly-owned subsidiary of Bank of America Corporation. Ayesha graduated with double degree from the University of Singapore and received a Certification in Islamic Law from the International Islamic University, Malaysia.

Dato' Mohammed Bin Haji Che Hussein

Independent Director

Dato' Mohammed Hussein has served as an Independent Director of Bank of America Malaysia Berhad since October 2014. He is also the Chairman of Gamuda Berhad, Hap Seng Plantations Holdings Berhad, Syarikat Takaful Malaysia Keluarga Berhad, Credit Guarantee Corporation Malaysia Berhad and Corporate Debt Restructuring Committee sponsored by Bank Negara Malaysia to facilitate resolutions and restructuring of major corporate debts.

Dato' Mohammed Hussein served for thirty-one years in the Maybank Group. Prior to his retirement in 2008, he was the Deputy President/Executive Director/Chief Financial Officer of Maybank Group.

Dato' Mohammed Hussein obtained a Bachelor of Commerce degree majoring in Accounting from the University of Newcastle, Australia and completed the Harvard Business School Advanced Management Program in Boston, USA. Dato' Mohammed Hussein is also a Fellow of the Asian Institute of Chartered Bankers.

Directors' Training and Education

All of the Directors are invited and encouraged to attend the Directors' continuous development courses provided by the Financial Institutions Directors' Education (FIDE) Forum in Malaysia. From time-to-time, BAMB arranges for members of management to address the Directors on topics of interest and relevance.

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Board Meetings

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

The Board met 7 times during the financial year ended 31 December 2020. 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>Attendance</u>	<u>Attendance %</u>
David Allan Cairns Chairman and Independent Director	7/7	100 %
Raymond Yeoh Cheng Seong Chief Executive Officer and Executive Director	7/7	100 %
Dato' Mohammed bin Haji Che Hussein Independent Director	7/7	100 %
Kellee Kam Chee Khiong Independent Director	7/7	100 %
Ayesha Natchiar binti Dato Ally Maricar Independent Director	7/7	100 %

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

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

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

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

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES

Audit Committee

The Board has established the Audit Committee since 1994. The Committee presently comprises three (3) Directors of which one (1) is the Chairman and two (2) Independent Directors.

<u>Composition of the Audit Committee</u>	<u>Attendance</u>	<u>Attendance %</u>
Dato' Mohammad Bin Haji Che Hussein (Chairman)	7/7	100 %
David Allan Cairns	7/7	100 %
Ayesha Natchiar Binti Dato Ally Maricar	7/7	100 %

Risk Management Committee

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

<u>Composition of Risk Management Committee</u>	<u>Attendance</u>	<u>Attendance %</u>
Ayesha Natchiar Binti Dato Ally Maricar (Chairman)	5/5	100 %
David Allan Cairns	5/5	100 %
Kellee Kam Chee Khiong	5/5	100 %

Nominating Committee

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

<u>Composition of Nominating Committee</u>	<u>Attendance</u>	<u>Attendance %</u>
Kellee Kam Chee Khiong (Chairman)	4/4	100 %
David Allan Cairns	4/4	100 %
Ayesha Natchiar Binti Dato Ally Maricar	4/4	100 %

Remuneration Committee

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

<u>Composition of Remuneration Committee</u>	<u>Attendance</u>	<u>Attendance %</u>
Kellee Kam Chee Khiong (Chairman)	3/3	100 %
David Allan Cairns	3/3	100 %
Ayesha Natchiar Binti Dato Ally Maricar	3/3	100 %

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

RATING BY AGENCIES

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

HOLDING AND ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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

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

RAYMOND YEOH CHENG SEONG
DIRECTOR

KELLEE KAM CHEE KHIONG
DIRECTOR

Kuala Lumpur
2 July 2021

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Cash and short term funds	2	2,973,616	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	3	983,029	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	4	409,055	102,576
Loans and advances	5	276,376	248,512
Other assets	6	122,931	21,445
Derivative assets	7	155,003	40,456
Tax recoverable		8,513	9,722
Deferred tax assets	8	2,206	2,035
Statutory deposits with Bank Negara Malaysia	9	13,001	10,001
Property and equipment	10	3,636	4,892
TOTAL ASSETS		4,947,366	4,076,601
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	11	3,703,692	3,146,529
Deposits and placements of banks and other financial institutions	12	16,983	76,104
Bills and acceptances payable		6,578	18,482
Other liabilities	13	133,712	58,078
Derivative liabilities	14	269,086	44,526
TOTAL LIABILITIES		4,130,051	3,343,719
Share capital	15	135,800	135,800
Reserves	16	681,515	597,082
Shareholders' funds		817,315	732,882
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		4,947,366	4,076,601
COMMITMENTS AND CONTINGENCIES	29	39,253,543	12,429,913

BANK OF AMERICA MALAYSIA BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Interest income	17	49,189	65,803
Interest expense	18	(17,185)	(44,352)
Net interest income		32,004	21,451
Net trading income	19	140,411	117,697
Other operating income	20	29,627	20,037
Net non-interest income		170,038	137,734
Net income		202,042	159,185
Other operating expenses	21	(87,168)	(77,087)
Profit before impairment		114,874	82,098
Impairment charge for credit losses	24	(2,409)	(892)
Net Profit before tax		112,465	81,206
Taxation	27	(28,039)	(21,006)
Profit for the financial year		84,426	60,200
Other comprehensive income:			
<u>Items that may not be subsequently reclassified to profit or loss</u>			
Change in value of equity investments at fair value through other comprehensive income (FVOCI)		7	5
Income tax effect		—	—
Other comprehensive income, net of tax		7	5
Total comprehensive income for the financial year		84,433	60,205
Earnings per share (sen)			
Basic/diluted	28	62.17	44.33

BANK OF AMERICA MALAYSIA BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Non distributable			Distributable	
	Share capital	FVOCI reserves	Regulatory reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Balance at 1 January	135,800	1,052	1,287	594,743	732,882
Profit for the financial year	—	—	—	84,426	84,426
Other comprehensive income, net of income tax					
Change in value of FVOCI	—	7	—	—	7
Total other comprehensive income	—	7	—	—	7
Total comprehensive income for the financial year	135,800	1,059	1,287	679,169	817,315
Net change in regulatory reserves	—	—	(594)	594	—
Balance at 31 December	135,800	1,059	693	679,763	817,315
2019					
Balance at 1 January	135,800	1,047	2,679	533,151	672,677
Profit for the financial year	—	—	—	60,200	60,200
Other comprehensive income, net of income tax					
Change in value of FVOCI	—	5	—	—	5
Total other comprehensive income	—	5	—	—	5
Total comprehensive income for the financial year	135,800	1,052	2,679	593,351	732,882
Net change in regulatory reserves	—	—	(1,392)	1,392	—
Balance at 31 December	135,800	1,052	1,287	594,743	732,882

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Profit before taxation		112,465	81,206
Adjustments for:			
- Depreciation of property and equipment		1,238	1,192
- Amortisation of right-of-use assets		664	665
- Impairment (write back)/charge for credit losses		(2,409)	892
- Net unrealised loss/(gain) on fair value changes in derivatives		110,062	(838)
- Net unrealised loss/(gain) on revaluation of financial assets at FVTPL		359	(331)
		222,379	82,786
Changes in working capital:			
(Increase)/decrease in operating assets:			
Financial assets FVTPL		(82,427)	1,171,277
Financial assets FVOCI		(306,472)	(49,653)
Loans and advances		(25,455)	(114,810)
Other assets		(101,486)	1,364
Derivative assets		(224,609)	(8,121)
Statutory deposit with Bank Negara Malaysia		(3,000)	6,799
Increase/(decrease) in operating liabilities:			
Deposits from customers		557,163	158,517
Deposits and placements of banks and other financial institutions		(59,121)	(604,868)
Bills and acceptances payable		(11,904)	(8,776)
Other liabilities		76,352	(2,248)
Derivative liabilities		224,560	11,349
Cash flows generated from operating activities		265,980	643,616
Taxation paid		(27,000)	(22,000)
Net cash generated from by operating activities		238,980	621,616
Cash flows from investing activities			
Purchase of property and equipment		(646)	(2,296)
Net cash used in investing activities		(646)	(2,296)
Cash flows from financing activities			
Repayment of lease rentals		(719)	(706)
Net cash used in financing activities		(719)	(706)
Net increase in cash and cash equivalents		237,615	618,614
Cash and cash equivalents as at 1 January		2,736,001	2,117,387
Cash and cash equivalents as at 31 December	2	2,973,616	2,736,001

An analysis of changes in lease liabilities arises from financing activity as follows:

	2020 RM'000	2019 RM'000
As at 1 January	1,771	2,436
Repayment of lease liability	(719)	(706)
Finance cost	61	41
As at 31 December	1,113	1,771

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 2020

I SIGNIFICANT ACCOUNTING POLICIES

A BASIS OF PREPARATION

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

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

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

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

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning on 1 January 2020.

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current and future period.

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2020. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 January 2021)

This amendment grants an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

(b) Any reduction in lease payments affects only payments due on or before 30 June 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

The adoption of this standard is not expected to have any significant impact to the Bank.

Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)

This standard clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The adoption of this standard is not expected to have any significant impact to the Bank.

Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)

This standard replaces the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

The adoption of this standard is not expected to have any significant impact to the Bank.

Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022)

This standard prohibits an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

The adoption of this standard is not expected to have any significant impact to the Bank.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022)

This standard clarifies that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

The adoption of this standard is not expected to have any significant impact to the Bank.

Amendments to MFRS 101 'Classification of liabilities as current or noncurrent' (effective 1 January 2023)

This standard clarify that a liability is classified as noncurrent if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 ('Financial Instruments'): Presentation' is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.

The adoption of this standard is not expected to have any significant impact to the Bank.

Interbank Offered Rate ("IBOR") reform

The Bank established an IBOR transition program led by senior management, which is intended to address the Bank's industry and regulatory engagement, client and financial contract changes, internal and external communications, technology and operations modifications, introduction of new products, migration of existing clients, and program strategy and governance. In addition, the program is designed to monitor a variety of scenarios, including operational risks associated with insufficient preparation by individual market participants or the overall market ecosystem, volatility along the Secured Overnight Financing Rate ("SOFR") curve, development and adoption of credit-sensitive and other rates, regulatory and legal uncertainty with respect to various matters including contract continuity, access by market participants to liquidity in certain products, and IBOR continuity beyond December 2021.

The Bank is executing product and client roadmaps that it believes align with industry recommended and regulatory milestones, and the entity has developed employee training programs as well as other internal and external sources of information on the various challenges and opportunities that the replacement of IBORs presents. As the transition of ARR evolves, the entity continues to monitor and participate in the development and usage of certain ARRs, including KLIBOR.

The adoption of this standard is not expected to have any significant impact to the Bank. Treasury is using Inter Unit Funding ("IUF") and the rate for IUF has already transition to SOFR.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B INTEREST INCOME AND EXPENSES

Amortised cost and effective interest rate

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

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

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

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

Calculation of interest income and expense

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

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

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

C PROVISIONS

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

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

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C PROVISIONS (CONTINUED)

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income.

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

D FINANCIAL ASSETS

Classification

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

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

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

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

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

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D FINANCIAL ASSETS (CONTINUED)

At initial recognition

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

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

Immediately after initial recognition, the Bank recognises an expected credit loss allowance for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note IK.

At subsequent measurement

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

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

E FINANCIAL LIABILITIES

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

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

(a) Financial liabilities at FVTPL

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL LIABILITIES (CONTINUED)

(a) Financial liabilities at FVTPL (continued)

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

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

(b) Other liabilities measured at amortised cost

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

F DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

G FINANCIAL GUARANTEES AND LOAN COMMITMENTS

Financial guarantees

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G FINANCIAL GUARANTEES AND LOAN COMMITMENTS (CONTINUED)

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

Loan commitments

Loan commitments provided by the Bank are subject to loss allowance calculated in accordance with Note 1K. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

H TRADE AND VALUE DATED TRANSACTIONS

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

I MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

J OFFSETTING FINANCIAL INSTRUMENTS

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K IMPAIRMENT OF FINANCIAL ASSETS

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

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

No impairment loss is recognised on equity investments.

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

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

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

Stage 1: 12 months ECL – not credit impaired

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

Stage 2: Lifetime ECL – not credit impaired

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

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

Stage 3: Lifetime ECL – credit impaired

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

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

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

Quantitative criteria

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Qualitative criteria

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

Significant increase in credit risk (SICR)

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

Among the indicators incorporated in ascertaining SICR are:

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

Measurement of ECL

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write off

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent of the cash inflows from other assets or group of assets ('cash-generating units'). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

M LEASES

Lessee arrangements

For lessee arrangements, the Bank records right-of-use assets and lease liabilities at lease commencement. All leases are recorded in the statement of financial position.

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

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

Right-of-use ("ROU") assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M LEASES (CONTINUED)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank's exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Bank presents the lease liabilities as part of other liabilities line in the statement of financial position. Interest expense on the lease liability is within other establishment costs in the statement of comprehensive income.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

N PROPERTY AND EQUIPMENT

(a) Measurement

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N PROPERTY AND EQUIPMENT (CONTINUED)

(b) Depreciation

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The 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	over lease terms

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

(c) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the profit or loss when incurred.

(d) Disposal

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

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

At the end of the reporting year, the Bank assesses whether there is any indication of impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 1L on impairment of non-financial assets.

O BILLS AND ACCEPTANCES PAYABLE

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

P DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q FOREIGN CURRENCY TRANSLATIONS

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

R CURRENT AND DEFERRED INCOME TAXES

(a) Current tax

Tax expense for the year comprises current and deferred tax. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in Malaysia where the Bank operates and generates taxable income.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

(b) Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

S CASH AND CASH EQUIVALENTS

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

T EMPLOYEE BENEFITS

(a) Short term employee benefits

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

(b) Defined contribution plan

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U SHARE-BASED PAYMENTS

Bank of America Corporation ("BAC"), the ultimate holding company, grants equity based payment awards to employees of the Bank under various incentive schemes.

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

As this is a group share-based payment arrangement, all awards are treated by the Bank as equity-settled share-based payment plans and are measured based on the fair value of those awards at grant date. The fair value determined at the grant date is expensed over the vesting period, based on the Bank's estimate of the number of shares that will eventually vest. The Bank has entered into a chargeback agreement with BAC under which it is committed to pay BAC the market value at grant date as well as subsequent movements in fair value of those awards to BAC at the time of delivery to its employees.

V CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

W SHARE CAPITAL

(a) Classification

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

(b) Share issue costs

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

(c) Dividend distribution

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

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W SHARE CAPITAL (CONTINUED)

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

X NET TRADING INCOME

Net trading income comprises realised and unrealised gains and losses on trading. Unrealised gains, which represents changes in fair value of financial instruments held for trading, are recognised within net trading income as they arise. Net trading income also includes interest income and expense attributable to trading financial assets and liabilities.

II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Fair value of financial instruments

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

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

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

(b) Impairment losses on loans and advances

The Bank's accounting policy for losses in relation to the impairment of financial instruments is described in Note 1K. The measurement of the expected credit loss allowance is an area that requires the use of complex models and significant assumptions about future economic conditions and customer behaviour. An explanation of the inputs, assumptions and estimation techniques used in measuring ECL is provided in Note 24, which also sets out the key sensitivities of the ECL to changes in these elements.

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

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

Note 24 provides additional detail on the Bank's approach to determining significant increase in credit risk.

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NOTES TO THE FINANCIAL STATEMENTS
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1 GENERAL INFORMATION

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

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

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

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

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

2 CASH AND SHORT TERM FUNDS

	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	96,985	140,428
Money at call and deposit placements maturing within one month	<u>2,876,631</u>	<u>2,595,573</u>
	<u><u>2,973,616</u></u>	<u><u>2,736,001</u></u>

Money at call and interbank placements are within Stage 1 allocation (12-months ECL) with RM Nil impairment allowance as at 31 December 2020 (31 December 2019: RM Nil).

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

	2020 RM'000	2019 RM'000
Malaysian Government Securities	446,159	570,221
Malaysian Government Investment Issues	27,409	330,740
Malaysian Government Treasury Bills	<u>509,461</u>	<u>—</u>
	<u><u>983,029</u></u>	<u><u>900,961</u></u>

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4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2020	2019
	RM'000	RM'000
Quoted securities in Malaysia:		
Bank Negara Bills	406,075	99,596
Unquoted securities in Malaysia:		
Shares	2,980	2,980
	<u>409,055</u>	<u>102,576</u>

FVOCI is within Stage 1 allocation (12-months ECL) with RM Nil impairment allowances as at 31 December 2020 (31 December 2019: RM Nil).

	2020	2019
	RM'000	RM'000
Unquoted Shares		
Credit Guarantee Corporation Bhd	2,968	2,968
ABM-MCD Holdings	12	12
	<u>2,980</u>	<u>2,980</u>

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

5 LOANS AND ADVANCES

	2020	2019
	RM'000	RM'000
(a) Loans and advances analysed by type		
At amortised cost		
Overdrafts	4,179	4,852
Factoring receivables	15,815	23,442
Staff loans	503	564
Revolving advances	243,624	196,040
Term loans	35,489	44,802
Mortgage loans	109	147
Gross loans and advances	<u>299,719</u>	<u>269,847</u>
Expected Credit Losses ("ECL")		
Stage 1: 12 Months - On Balance Sheet	(2,291)	(1,430)
Stage 2: Lifetime ECL not credit-impaired	—	—
Stage 3: Lifetime ECL credit-impaired	(21,052)	(19,905)
Total net loans and advances	<u>276,376</u>	<u>248,512</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
5 LOANS AND ADVANCES (CONTINUED)

(b) By geographical distribution	2020	2019
	RM'000	RM'000
Malaysia	<u>299,719</u>	<u>269,847</u>
(c) By type of customer		
Domestic business enterprises	219,737	203,892
Domestic non-banking financial institutions	79,370	65,243
Individuals	612	712
	<u>299,719</u>	<u>269,847</u>
(d) By interest rate sensitivity		
Fixed rate:		
Housing loans	467	510
Other fixed rate loans	15,851	23,496
Variable rate:		
Base rate	109	147
Cost plus	87,761	4,852
Other floating rate loans	195,531	240,842
	<u>299,719</u>	<u>269,847</u>
(e) By sector		
Mining & quarrying	35,489	44,802
Manufacturing	162,178	128,126
Wholesale & Retail trade, Restaurant & Hotels	7,170	12,936
Transport, storage, communication	1,001	1,012
Finance, insurance and business services	93,269	82,259
Household	612	712
	<u>299,719</u>	<u>269,847</u>
(f) By economic purpose		
Purchase of transport vehicles	37	48
Purchase of landed property (residential)	575	658
Personal use	—	5
Working capital	299,107	269,136
	<u>299,719</u>	<u>269,847</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
5 LOANS AND ADVANCES (CONTINUED)

(g) By residual contractual maturity	2020	2019
	RM'000	RM'000
Within one year	285,318	254,200
One year to three years	13,897	15,089
Three years to five years	37	48
Over five years	467	510
	<u>299,719</u>	<u>269,847</u>
(h) Gross loans and advances by staging		
Stage 1: 12 Month ECL	263,203	225,018
Stage 2: Lifetime ECL Not Credit-Impaired	—	—
Stage 3: Credit-Impaired	36,516	44,829
	<u>299,719</u>	<u>269,847</u>
(i) Movements in impaired loans and advances are as follows:		
At 1 January	44,829	50,409
Impaired during the year	1,001	13
Reclassified as non-impaired	—	(13)
Amount recovered	(7,708)	(3,488)
Exchange rate difference	(1,606)	(2,092)
At 31 December	36,516	44,829
Stage 3: Lifetime ECL-credit impaired	(21,052)	(19,905)
Net impaired loans and advances	15,464	24,924
Gross impaired loans as a % of gross loans and advances	12.18 %	16.61 %

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

	12-Month ECL (Stage 1)	Lifetime ECL Not Credit- Impaired (Stage 2)	Credit Impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	1,430	—	19,905	21,335
Changes due to loans and advances recognised				
- Transfer to Stage 1: 12-Month ECL	—	—	—	—
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(8)	8	—	—
- Transfer to Stage 3: Lifetime ECL credit-impaired	—	(5)	5	—
Loans and advances derecognised (other than write off)	(40)	—	—	(40)
New loans and advances originated	1,368	—	—	1,368
Net remeasurement due to changes in credit risk	(459)	(3)	1,142	680
At 31 December 2020	<u>2,291</u>	<u>—</u>	<u>21,052</u>	<u>23,343</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
5 LOANS AND ADVANCES (CONTINUED)
(j) Movements in Expected Credit Losses ("ECL") on loans and advances are as follows: (continued)

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

	2020 RM'000	2019 RM'000
(k) Impaired loans and advances analysed by geographical distribution		
Malaysia	<u>36,516</u>	<u>44,829</u>

(l) Impaired loans and advances analysed by economic purpose

Purchase of landed property (residential)	26	27
Working capital	<u>36,490</u>	<u>44,802</u>
	<u>36,516</u>	<u>44,829</u>

(m) Exposures to COVID-19 impacted sectors (Net of impairment)

Baseline:		
Aviation	<u>4,564</u>	<u>—</u>

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NOTES TO THE FINANCIAL STATEMENTS
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6 OTHER ASSETS

	2020	2019
	RM'000	RM'000
Collateral receivables	103,157	12,272
Intercompany receivables	1,985	1,754
Deposits	36	36
Prepayments	7,503	3
Other receivables	10,250	7,380
	<u>122,931</u>	<u>21,445</u>

Other assets are within Stage 1 allocation (12-months ECL) with RM Nil impairment allowance as at 31 December 2020 (31 December 2019: RM Nil).

7 DERIVATIVE ASSETS

	2020		2019	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
Foreign exchange forwards and swaps	7,712,197	83,017	1,507,972	23,563
Interest rate and cross currency swaps	11,136,800	71,986	3,532,800	16,893
	<u>18,848,997</u>	<u>155,003</u>	<u>5,040,772</u>	<u>40,456</u>

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NOTES TO THE FINANCIAL STATEMENTS
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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:

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2020	2019
	RM'000	RM'000
Deferred tax assets	2,206	2,595
Deferred tax liabilities	—	(560)
	<u>2,206</u>	<u>2,035</u>

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

	Provision for accrued expenses RM'000	Accelerated tax depreciation RM'000	FVOCI reserve RM'000	ECL RM'000	Total RM'000
2020					
Balance at 1 January	2,298	(229)	(331)	297	2,035
Credited to profit or loss (Note 27)	(750)	390	—	531	171
Credited to FVOCI Reserve	—	—	—	—	—
Balance at 31 December	<u>1,548</u>	<u>161</u>	<u>(331)</u>	<u>828</u>	<u>2,206</u>
2019					
Balance at 1 January	2,418	47	(331)	—	2,134
Credited to profit or loss (Note 27)	(120)	(276)	—	297	(99)
Charged to FVOCI Reserve	—	—	—	—	—
Balance at 31 December	<u>2,298</u>	<u>(229)</u>	<u>(331)</u>	<u>297</u>	<u>2,035</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.

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10

PROPERTY AND EQUIPMENT

	Office Equipment and Furniture RM'000	Computer Equipment and Software RM'000	Bank Premises Alterations RM'000	Right of Use Asset RM'000	Total RM'000
2020					
Cost					
At 1 January 2020	5,663	6,581	4,907	2,436	19,587
Additions	13	633	—	—	646
At 31 December 2020	<u>5,676</u>	<u>7,214</u>	<u>4,907</u>	<u>2,436</u>	<u>20,233</u>
Accumulated depreciation					
At 1 January 2020	4,617	4,506	4,907	665	14,695
Amortisation	—	—	—	664	664
Charged for the year	336	902	—	—	1,238
At 31 December 2020	<u>4,953</u>	<u>5,408</u>	<u>4,907</u>	<u>1,329</u>	<u>16,597</u>
Net book value					
At 31 December 2020	<u>723</u>	<u>1,806</u>	<u>—</u>	<u>1,107</u>	<u>3,636</u>
	Office Equipment and Furniture RM'000	Computer Equipment and Software RM'000	Bank Premises Alterations RM'000	Right of Use Asset RM'000	Total RM'000
2019					
Cost					
Balance at 1 January	9,243	13,356	5,124	2,436	30,159
Additions	405	1,891	—	—	2,296
Written off	(3,985)	(8,666)	(217)	—	(12,868)
Disposal	—	—	—	—	—
Balance at 31 December	<u>5,663</u>	<u>6,581</u>	<u>4,907</u>	<u>2,436</u>	<u>19,587</u>
Accumulated depreciation					
Balance at 1 January	8,321	12,261	5,124	—	25,706
Amortisation	—	—	—	665	665
Charge for the financial year	337	855	—	—	1,192
Written off	(4,041)	(8,610)	(217)	—	(12,868)
Balance at 31 December	<u>4,617</u>	<u>4,506</u>	<u>4,907</u>	<u>665</u>	<u>14,695</u>
Net book value					
Balance at 31 December	<u>1,046</u>	<u>2,075</u>	<u>—</u>	<u>1,771</u>	<u>4,892</u>

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11 DEPOSITS FROM CUSTOMERS

	2020	2019
	RM'000	RM'000
Demand deposits	3,376,776	2,500,306
Savings deposits	7	6
Fixed deposits	326,909	646,217
	<u>3,703,692</u>	<u>3,146,529</u>

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

Due within six months	324,799	637,609
Six months to one year	1,060	6,500
One year to five years	1,050	2,108
	<u>326,909</u>	<u>646,217</u>

(b) The deposits are sourced from the following types of customers:

Business enterprise	3,703,646	3,146,483
Individuals	46	46
	<u>3,703,692</u>	<u>3,146,529</u>

12 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020	2019
	RM'000	RM'000
Licensed banks	15,960	75,092
Other financial institutions	1,023	1,012
	<u>16,983</u>	<u>76,104</u>

13 OTHER LIABILITIES

	2020	2019
	RM'000	RM'000
Collateral payables	52,034	15,193
Intercompany payables	55,288	32,309
Accruals	6,742	6,455
Share-based recharge payables	135	388
ECL for guarantees and commitments (Note 13 (a))	1,160	759
Lease Liabilities (Note 13 (b))	1,113	1,771
Other payables	17,240	1,203
	<u>133,712</u>	<u>58,078</u>

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13 OTHER LIABILITIES (CONTINUED)

- (a) Movements in Expected Credit Losses ("ECL") on Guarantees and Commitments

	12-Month ECL (Stage 1)	Lifetime ECL Not Credit- Impaired (Stage 2)	Credit Impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	759	—	—	759
Transfer to Stage 1: 12-Month ECL	—	—	—	—
Transfer to Stage 2: Lifetime ECL not credit-impaired	—	—	—	—
Transfer to Stage 3: Lifetime ECL credit-impaired	—	—	—	—
New financial assets originated or purchased	897	—	—	897
Financial assets derecognised (other than write off)	(469)	—	—	(469)
Net remeasurement due to changes in credit risk	(27)	—	—	(27)
At 31 December 2020	<u>1,160</u>	<u>—</u>	<u>—</u>	<u>1,160</u>

	12-Month ECL (Stage 1)	Lifetime ECL Not Credit- Impaired (Stage 2)	Credit Impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	726	3	—	729
Transfer to Stage 1: 12-Month ECL	—	—	—	—
Transfer to Stage 2: Lifetime ECL not credit-impaired	—	—	—	—
Transfer to Stage 3: Lifetime ECL credit-impaired	—	—	—	—
New financial assets originated or purchased	200	—	—	200
Financial assets derecognised (other than write off)	(445)	(3)	—	(448)
Net remeasurement due to changes in credit risk	278	—	—	278
At 31 December 2019	<u>759</u>	<u>—</u>	<u>—</u>	<u>759</u>

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13 OTHER LIABILITIES (CONTINUED)

(b) Leases

Lessee arrangements

The Bank's lessee arrangements predominantly consist of leases for premises. Lease terms may contain renewal and extension options and early termination features. Generally, these options do not impact the lease term because the Bank is not reasonably certain that it will exercise the options.

Lease liabilities

	RM'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	719
One to five years	479
Total undiscounted lease liabilities at 31 December	<u>1,198</u>
Lease liabilities included in the statement of financial position at 31 December	
Current	686
Non-current	<u>427</u>
	<u>1,113</u>
Amounts recognised in profit or loss	
Interest on lease liabilities	61
Amortisation charge on ROU assets	664
Lease payments not included in the measurement of lease liabilities	981

14 DERIVATIVE LIABILITIES

	2020		2019	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
Foreign exchange forwards and swaps	8,769,321	200,196	1,731,995	26,923
Interest rate and cross currency swaps	10,851,300	68,890	4,676,441	17,603
	<u>19,620,621</u>	<u>269,086</u>	<u>6,408,436</u>	<u>44,526</u>

15 SHARE CAPITAL

	2020 RM'000	2019 RM'000
Issued and fully paid:		
135,800,000 ordinary shares	<u>135,800</u>	<u>135,800</u>

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16 RESERVES

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

	2020 RM'000	2019 RM'000
At 1 January	1,052	1,047
Change in value of equity investments at fair value through other comprehensive income (FVOCI)	7	5
At 31 December	<u>1,059</u>	<u>1,052</u>

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

17 INTEREST INCOME

	2020 RM'000	2019 RM'000
Loans and advances	8,068	6,751
Money at call and deposit placements with banks and other financial institutions	36,812	54,151
Financial assets at FVOCI	4,309	4,901
	<u>49,189</u>	<u>65,803</u>

18 INTEREST EXPENSE

	2020 RM'000	2019 RM'000
Deposits and placements of banks and other financial institutions	2,015	6,182
Deposits from customers	15,170	38,170
	<u>17,185</u>	<u>44,352</u>

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19 NET TRADING INCOME

	2020	2019
	RM'000	RM'000
Fair value gain/(loss) on instruments held for trading		
Debt instruments at FVTPL		
Net gain from sale of financial assets at FVTPL	21,822	18,451
Unrealised revaluation (loss)/gain on financial assets at FVTPL	(359)	331
Derivatives financial instruments		
Realised loss on derivatives	(1,960)	(4,352)
Unrealised loss on foreign exchange forwards	(113,868)	(1,187)
Unrealised gain on interest rate and cross currency swaps	3,806	2,025
Interest income from financial assets at FVTPL	48,134	69,500
Realised foreign exchange gain	182,872	33,027
Others	(36)	(98)
	<u>140,411</u>	<u>117,697</u>

20 OTHER OPERATING INCOME

	2020	2019
	RM'000	RM'000
Fee income		
Commission	412	314
Service charges and fees	6,948	5,516
Guarantee fees	1,393	1,407
Management fee income	3,819	3,197
Other fee income	16,916	9,502
Total fee income	<u>29,488</u>	<u>19,936</u>
Others	139	101
	<u>29,627</u>	<u>20,037</u>

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21 OTHER OPERATING EXPENSES

	2020	2019
	RM'000	RM'000
Personnel costs		
Salaries, allowances and bonuses	27,687	26,267
Share-based payment	453	1,921
Defined contribution plans	6,227	5,008
Other personnel costs	2,604	4,244
	<u>36,971</u>	<u>37,440</u>
Establishment costs		
Depreciation of property and equipment	1,238	1,192
Amortisation of right-of-use-assets	664	664
Rental of premises	528	560
Rental of equipment	453	496
Repair and maintenance	3,209	2,211
Others	2,869	2,154
	<u>8,961</u>	<u>7,277</u>
Marketing expenses		
Business promotion and advertisement	30	31
Others	153	455
	<u>183</u>	<u>486</u>
Administration and general expenses		
Auditors' remuneration		
Current financial year		
- Statutory audit fees	195	195
- Non-audit fees	32	66
Under-accrual from prior financial year		
- Non-audit fees	—	12
	<u>227</u>	<u>273</u>
Communication expenses	1,596	1,655
Legal and professional fees	376	599
Stationery and postages	465	486
Shared administrative support expenses	32,090	24,289
Others	6,299	4,582
	<u>41,053</u>	<u>31,884</u>
	<u>87,168</u>	<u>77,087</u>

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22 REMUNERATION OF CHIEF EXECUTIVE OFFICER ("CEO") AND DIRECTORS

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

	2020	2019
	RM'000	RM'000
Executive Director and CEO:		
Raymond Yeoh Cheng Seong		
Salaries	1,496	1,496
Bonus	1,672	1,823
Defined contribution plan	804	924
Others	1,550	2,154
Non-Executive Directors:		
Fees		
David Allan Cairns	168	168
Ayesha Natchair Binti Dato Ally Maricar	135	135
Dato' Mohammed Bin Haji Che Hussein	135	135
Kellee Kam Chee Khiong	135	135
	<u>6,095</u>	<u>6,970</u>

23 SHARE-BASED PAYMENT

BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Key Employee Equity Plan ("KEEP"). Under the KEEP, BAC grants stock-based awards, including stock options, restricted stock and restricted stock units ("RSUs").

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

Certain awards contain provisions which permit BAC to cancel all or a portion of the award under specified circumstances.

Restricted stock units ("RSUs")

An RSU is deemed equivalent in fair market value to one share of BAC common stock.

RSUs are authorised to settle predominantly in shares of common stock of BAC which generally vest in three equal annual instalments beginning one year from the grant date. RSU awards granted prior to 2016 were predominantly cash settled.

Recipients of RSU awards may receive cash payments equivalent to dividends.

During the year, 19,122 (2019: 15,346) RSUs were granted to certain employees under the KEEP at weighted-average fair value of USD 34.33 per share (2019: USD28.91) per share.

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

24 IMPAIRMENT CHARGE FOR CREDIT LOSSES

	2020	2019
	RM'000	RM'000
Allowance for impairment		
- Loans and advances	2,008	885
- Guarantees and commitments	401	30
Impaired loans and advances recovered	—	(23)
	<u>2,409</u>	<u>892</u>

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24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)

Measurement of ECL

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

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

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

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

Incorporation of forward-looking information

The Bank incorporates forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This is implemented through the use of macroeconomic scenarios applied over the forecasted life of the assets. These macroeconomic scenarios include variables that have historically been drivers of increases and decreases in credit losses. These variables include, but are not limited to, unemployment rate, gross domestic product levels and corporate bond spreads. As any one economic outlook is inherently uncertain, the Company leverages multiple scenarios which represent a range of possible outcomes. The scenarios include both downside and an upside scenarios that are different from the consensus outlook.

In order to calculate lifetime ECL for loans classified as Stage 2 or Stage 3, the Bank uses existing forecast horizon followed by extrapolation to cover the lifetime of the financial asset.

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

Credit risk ratings

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

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

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24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)

Determining a significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank compares the remaining lifetime PD as at the reporting date with the remaining lifetime PD for this point in time as estimated at the time of initial recognition of the exposure (adjusted as relevant for changes in prepayment expectations). The Bank calculates the remaining lifetime PD using the same methodology, obligor-level data elements, and forecasted macroeconomic scenarios and scenario weights used to calculate ECL. In addition to quantitative review of PD and risk rating changes, qualitative factors leveraging internal credit risk officers' risk assessment are considered as well as a backstop based on delinquency. Financial instruments that have been determined to have a significant increase in credit risk are reviewed in line with rating timelines to identify whether there has been an improvement of credit quality in the underlying instrument.

Impact of COVID-19

Given the widespread impact of the COVID-19 pandemic on the global economy, a number of industries have been and will likely continue to be adversely impacted. The Bank continues to monitor all industries, particularly higher risk industries which are experiencing or could experience a more significant impact to their financial condition.

The Bank continues to place a high level of focus on the selection of scenarios and the amount of weighting given to each scenario, both of which are reviewed on a quarterly basis. These selections depend on a variety of factors including recent economic events, leading economic indicators, views of internal and third-party economists and industry trends.

The calculation of ECL can also be impacted by unanticipated changes in asset quality of the portfolio, such as increases in risk rating downgrades in the portfolio. In addition, while the Bank has incorporated its estimated impact of COVID-19 into its ECL allowance, the ultimate impact of the pandemic is still unknown, including how long economic activities will be impacted and what effect the unprecedented levels of government fiscal and monetary actions will have on the economy and the Bank's credit losses.

Sensitivity

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

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

In relation to stage determination, forcing all loans to Stage 1 and calculating ECL on a 12-month basis would reduce the calculated allowance by RM Nil (2019:RM45,741), whereas moving all loans to the lifetime loss horizon (Stage 2) would increase the ECL allowance by RM946,902 (2019:RM767,608).

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

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24 IMPAIRMENT CHARGE FOR CREDIT LOSSES (CONTINUED)

Collective based and other loss allowance assessment

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

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

25 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

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

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25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties and relationships (continued)

Bank of America, National Association - Mumbai Branch	Branch of the immediate holding company
Bank of America, National Association - Sydney Branch	Bank of the immediate holding company
Bank of America, National Association - Tokyo Branch	Branch of the immediate holding company
Bank of America, National Association - Hong Kong Branch	Branch of the immediate holding company
Merrill Lynch Malaysian Advisory Sdn. Bhd.	Subsidiary of the ultimate holding company
Merrill Lynch International	Subsidiary of the ultimate holding company
Merrill Lynch International Bank Limited	Subsidiary of the ultimate holding company
Merrill Lynch (Asia Pacific) Limited	Subsidiary of the ultimate holding company

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

<u>Related parties</u>	<u>Relationship</u>
Key management personnel	The key management personnel of the Bank consists of: (i) All Directors of the Bank (ii) Senior management of the Bank
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (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

(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:

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25 SIGNIFICANT RELATED PARTY DISCLOSURES (Continued)
(b) Significant related party balances and transactions (Continued)

	2020		2019	
	Key	Other	Key	Other
	Management	Related	Management	Related
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on deposits and placements				
with other financial institutions	—	363	—	1,511
Management fee income	—	3,819	—	3,197
Other fee income	—	19,695	—	8,584
	<u>—</u>	<u>23,877</u>	<u>—</u>	<u>13,292</u>
Expenses				
Interest on deposits and placements				
of banks and other financial institutions	—	1,996	—	6,101
Interest on deposits from customers	—	123	—	161
Shared administrative support expenses	—	32,090	—	24,289
	<u>—</u>	<u>34,209</u>	<u>—</u>	<u>30,551</u>
Amount due from				
Deposits and placements	—	67,529	—	120,397
Loans and advances	—	—	—	—
Other receivables	—	9,485	—	1,754
	<u>—</u>	<u>77,014</u>	<u>—</u>	<u>122,151</u>
Amount due to				
Deposits and placements	—	22,316	—	84,123
Interest payable	—	12	—	90
Other payables	—	55,698	—	32,309
	<u>—</u>	<u>78,026</u>	<u>—</u>	<u>116,522</u>
Approved limit			2020	2019
			RM'000	RM'000
The approved limit on loans and advances for key management personnel			<u>—</u>	<u>—</u>

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25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

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

2020

Type of service	Singapore RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
- Legal entity shared service#	8,406	11,699	3,844	23,949
- Global Transaction Services*	1,986	1,316	—	3,302
- Regional management^	1,466	648	114	2,228
- Others	108	—	2,503	2,611
	<u>11,966</u>	<u>13,663</u>	<u>6,461</u>	<u>32,090</u>

2019

Type of service	Singapore RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
- Legal entity shared service#	5,834	8,921	3,290	18,045
- Global Transaction Services*	1,795	1,417	—	3,212
- Regional management^	1,910	888	143	2,941
- Others	91	—	—	91
	<u>9,630</u>	<u>11,226</u>	<u>3,433</u>	<u>24,289</u>

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

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

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

(d) Key management personnel

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

	2020 RM'000	2019 RM'000
Short-term employee benefits:		
Salaries and other remuneration	9,101	10,291
Fees	<u>573</u>	<u>573</u>
	<u>9,674</u>	<u>10,864</u>

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

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26 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2020	2019
	RM'000	RM'000
Outstanding total exposure with connected parties	48,216	49,116
Total credit exposures	<u>48,216</u>	<u>49,116</u>
Total exposure to connected parties as % of total capital	<u>5.89 %</u>	<u>6.71 %</u>
Total exposure to connected parties as % of total outstanding credit exposures	<u>1.12 %</u>	<u>1.41 %</u>

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

27 TAXATION

	2020	2019
	RM'000	RM'000
Malaysian income tax:		
Current financial year	27,501	19,883
Under provision of prior financial years' taxation	709	1,024
Deferred taxation (Note 8)	(171)	99
Tax charge for the financial year	<u>28,039</u>	<u>21,006</u>

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

	2020	2019
	RM'000	RM'000
Profit before taxation	<u>112,465</u>	<u>81,206</u>
Tax calculated at rate of 24%	26,992	19,489
Expenses not deductible for tax purposes	200	493
Under provision of deferred taxation in prior financial years	138	—
Under provision of prior financial years' taxation	709	1,024
Tax expense for the financial year	<u>28,039</u>	<u>21,006</u>

28 EARNINGS PER SHARE

The earnings per share has been calculated based on net profit for the financial year of RM84,426,309 (2019: RM60,199,601) and the weighted average number of ordinary shares in issue during the financial year of 135,800,000 units (2019: 135,800,000 units).

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29 COMMITMENTS AND CONTINGENCIES

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

Nature of commitments and contingencies

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

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

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

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

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

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29 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies constitute the followings:

Description	31 December 2020			31 December 2019		
	Principal	Credit	Risk	Principal	Credit	Risk
	amount	equivalent	weighted	amount	equivalent	weighted
	RM'000	amount	amount	RM'000	amount	amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	139,911	138,870	131,867	112,378	111,700	104,501
Transaction related contingent items	21,972	10,905	10,144	23,736	11,800	9,769
Short term self liquidating trade related contingencies	23,307	4,625	4,625	11,167	2,220	2,220
Foreign exchange related contracts:						
- One year or less	16,476,855	165,687	108,568	3,243,074	64,185	42,303
- Over one year to five years	84,663	4,312	4,237	77,063	2,266	2,266
Interest/Profit rate related contracts:						
- One year or less	10,612,000	28,242	12,972	2,981,000	9,321	2,763
- Over one year to five years	11,296,100	145,711	77,333	4,990,600	58,900	35,905
- Over five years	—	—	—	157,500	6,786	2,828
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	—	—	—	—	—	—
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	—	—	—	—	—	—
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	598,735	—	—	833,395	—	—
Total	39,253,543	498,352	349,746	12,429,913	267,178	202,555

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30 CAPITAL ADEQUACY

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

	2020	2019
	RM'000	RM'000
Common Equity ("CET1") Capital and Tier 1 Capital		
Share capital	135,800	135,800
Retained profits	680,457	596,032
Other disclosed reserves		
Unrealised gains and losses on FVOCI financial instruments	1,059	1,052
	<u>817,316</u>	<u>732,884</u>
Less: regulatory adjustments		
- Deferred tax assets	(2,206)	(2,035)
- 55% of cumulative gains of FVOCI financial instruments	(582)	(579)
- Regulatory reserve	(693)	(1,287)
Total CET I and Tier I capital	<u>813,835</u>	<u>728,983</u>
Tier-II Capital		
Loss allowance for non-credit impaired exposures/ collective assessment allowance*	3,451	2,189
Regulatory reserve	693	1,287
Total Tier II capital	<u>4,144</u>	<u>3,476</u>
Total capital	<u>817,979</u>	<u>732,459</u>

*Excludes Lifetime ECL Credit Impaired (Stage 3) loans/collective assessment allowance on impaired loans restricted from Tier-II Capital of BAMB of RM21,052,093 (2019: RM19,904,701).

Capital ratios	2020	2019
CET I capital ratio	34.043%	53.424%
Tier I capital ratio	34.043%	53.424%
Total capital ratio	<u>34.217%</u>	<u>53.679%</u>

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30 CAPITAL ADEQUACY (CONTINUED)

Total capital and capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) guidelines issued on 9 December 2020. The Bank has adopted the Standardised Approach ("SA") for Credit Risk and Market Risk and Basic Indicator Approach ("BIA") for Operational Risk.

Detailed disclosures pursuant to the requirements of BNM Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), in addition to those set out in Notes 30 to the financial statements, have been made in a separate Pillar 3 Disclosures Report.

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

	2020		2019	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
(i) Credit risk				
0%	3,333,078	—	2,222,694	—
20%	231,068	46,214	690,850	138,170
35%	83	29	121	42
50%	181,930	90,965	46,521	23,261
75%	—	—	—	—
100%	556,236	556,236	437,663	437,663
150%	915	1,372	—	—
	4,303,310	694,816	3,397,849	599,136
(ii) Market risk	—	1,378,006	—	492,372
(iii) Operational risk	—	317,760	—	273,018
	4,303,310	2,390,582	3,397,849	1,364,526

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31 USE OF FINANCIAL INSTRUMENTS
A Financial instruments by category

	2020			2019		
	Financial assets / liabilities measured at fair value through profit or loss	Financial assets / liabilities measured at fair value through other comprehensive income	Financial assets / liabilities measured at fair value through other comprehensive income	Financial assets / liabilities measured at fair value through profit or loss	Financial assets / liabilities measured at fair value through other comprehensive income	Financial assets / liabilities measured at fair value through other comprehensive income
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and short term funds	2,973,616	—	—	2,736,001	—	—
Financial assets at fair value through profit or loss (FVTPL)	—	983,029	—	—	900,961	—
Financial assets at fair value through other comprehensive income (FVOCI)	—	—	409,055	—	—	102,576
Loans and advances	276,376	—	—	248,512	—	—
Other assets	122,931	—	—	21,445	—	—
Derivative assets	—	155,003	—	—	40,456	—
TOTAL ASSETS	3,372,923	1,138,032	409,055	3,005,958	941,417	102,576
Financial liabilities						
Deposits from customers banks and other financial institutions	3,703,692	—	—	3,146,529	—	—
Bills and acceptances payable	16,983	—	—	76,104	—	—
Other liabilities	6,578	—	—	18,482	—	—
Derivative liabilities	133,712	—	—	58,078	—	—
Derivative liabilities	—	269,086	—	—	44,526	—
TOTAL LIABILITIES	3,860,965	269,086	—	3,299,193	44,526	—

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Financial risk management objectives and policies

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

Market risk management

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

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

The Bank uses Value-At-Risk ("VaR") as one of the key risk measures to evaluate and limit the risks in its trading activities. VaR is a statistical measure of potential portfolio market value loss resulting from changes in market variables, during a given holding period, measured at a specified confidence level.

At Bank of America, VaR for internal management uses a historical simulation approach and is calculated over a one-day holding period at a 99% confidence level. The standard implementation uses three years of history. The VaR model is designed to take into account various market risk factors such as interest rate, spreads, foreign exchange rate and volatility.

In addition to measuring the Bank's trading positions using VaR, Maximum Observed Loss ("MOL") was implemented as a stress measure.

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.

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

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Financial risk management objectives and policies (continued)

Credit risk management (continued)

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

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

Liquidity risk management

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

The Bank has in place the following liquidity risk mitigation:

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

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Operational risk management

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

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

C Interest rate risk

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

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
C Interest rate risk (continued)

2020	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- interest bearing	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short term funds	2,876,631	—	—	—	—	96,985	—	2,973,616
Financial assets at fair value through profit or loss (FVTPL)	—	—	—	—	—	—	983,029	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	406,075	—	—	—	—	2,980	—	409,055
Loans and advances	9,302	218,185	57,831	13,934	467	(23,343)	—	276,376
Other assets	—	—	—	—	—	122,931	—	122,931
Derivative assets	—	—	—	—	—	—	155,003	155,003
Total assets	3,292,008	218,185	57,831	13,934	467	199,553	1,138,032	4,920,010
Liabilities								
Deposits from customers	1,329,247	140,132	5,559	1,050	—	2,227,704	—	3,703,692
Deposits and placements of banks and other financial institutions	—	1,023	—	—	—	15,960	—	16,983
Bills and acceptances payable	—	—	—	—	—	6,578	—	6,578
Other liabilities	—	—	—	—	—	133,712	—	133,712
Derivative liabilities	—	—	—	—	—	—	269,086	269,086
Total liabilities	1,329,247	141,155	5,559	1,050	—	2,383,954	269,086	4,130,051
On-balance sheet - interest rate gap	1,962,761	77,030	52,272	12,884	467			

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
C Interest rate risk (continued)

2019	Up to 1 month	>1 - 3 months	>3 - 12 months	>1 - 5 years	Over 5 years	Non- interest bearing	Trading book	Total
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	2,595,573	—	—	—	—	140,428	—	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	—	—	—	—	—	—	900,961	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	—	—	—	—	2,980	—	102,576
Loans and advances	224,620	11,186	18,394	15,137	510	(21,335)	—	248,512
Other assets	—	—	—	—	—	21,445	—	21,445
Derivative assets	—	—	—	—	—	—	40,456	40,456
Total assets	2,919,789	11,186	18,394	15,137	510	143,518	941,417	4,049,951
Liabilities								
Deposits from customers	1,797,175	95,430	6,501	2,108	—	1,245,315	—	3,146,529
Deposits and placements of banks and other financial institutions	1,013	61,484	—	—	—	13,607	—	76,104
Bills and acceptances payable	—	—	—	—	—	18,482	—	18,482
Other liabilities	—	—	—	—	—	58,078	—	58,078
Derivative liabilities	—	—	—	—	—	—	44,526	44,526
Total liabilities	1,798,188	156,914	6,501	2,108	—	1,335,482	44,526	3,343,719
On-balance sheet - interest rate gap	1,121,601	(145,728)	11,893	13,029	510			

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

C Interest rate risk (continued)

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

	2020		2019	
	MYR	USD	MYR	USD
	%	%	%	%
Financial assets				
Cash and short term funds	1.75	0.01	2.97	1.57
Financial assets at FVTPL	3.68	—	3.84	—
Loans and advances	3.15	2.15	4.40	4.08
Financial liabilities				
Deposits from customers	0.74	0.01	1.70	0.19
Deposits and placements of bank and other financial institutions	0.49	—	1.50	1.76

D Liquidity risk

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

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

The Bank closely monitors its liquidity risk profile with a variety of tools which includes cash flow forecasts and maturity mismatch reports and conducts regular stress-testing to ensure that it will be able to meet its obligations when they come due.

Contractual maturity of assets and liabilities

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

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
D Liquidity risk (continued)
Contractual maturity of assets and liabilities

	Up to 1 week	>1 week to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
Assets								
Cash and short term funds	2,973,616	—	—	—	—	—	—	2,973,616
Financial assets at fair value through profit or loss (FVTPL)	—	509,461	10,502	—	32,355	430,711	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	—	39,964	139,587	226,524	—	—	2,980	409,055
Loans and advances	4,172	5,089	196,051	27,603	29,278	14,183	—	276,376
Statutory deposit with Bank Negara Malaysia	—	—	—	—	—	—	13,001	13,001
Other assets	—	—	—	—	—	—	137,286	137,286
Derivative assets	24,130	16,060	25,390	21,083	15,823	52,517	—	155,003
	<u>3,001,918</u>	<u>570,574</u>	<u>371,530</u>	<u>275,210</u>	<u>77,456</u>	<u>497,411</u>	<u>153,267</u>	<u>4,947,366</u>
Liabilities								
Deposits from customers	3,384,293	172,658	140,132	4,499	1,060	1,050	—	3,703,692
Deposits and placements of banks and other financial institutions	15,960	—	1,023	—	—	—	—	16,983
Bills and acceptances payable	6,578	—	—	—	—	—	—	6,578
Other liabilities	—	56	113	171	347	426	132,599	133,712
Derivative liabilities	28,175	69,582	39,315	64,124	17,281	50,609	—	269,086
	<u>3,435,006</u>	<u>242,296</u>	<u>180,583</u>	<u>68,794</u>	<u>18,688</u>	<u>52,085</u>	<u>132,599</u>	<u>4,130,051</u>
Net liquidity gap	<u>(433,088)</u>	<u>328,278</u>	<u>190,947</u>	<u>206,416</u>	<u>58,768</u>	<u>445,326</u>	<u>20,668</u>	<u>817,315</u>

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
D Liquidity risk (continued)
Contractual maturity of assets and liabilities (continued)

	Up to 1 week	>1 week to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019								
Assets								
Cash and short term funds	2,736,001	—	—	—	—	—	—	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	—	—	—	264,813	3,243	632,905	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	—	—	—	—	—	2,980	102,576
Loans and advances	5,016	198,579	11,113	13,601	4,676	15,527	—	248,512
Statutory deposit with Bank Negara Malaysia	—	—	—	—	—	—	10,001	10,001
Other assets	—	—	—	—	—	—	38,094	38,094
Derivative assets	1,475	7,397	11,185	4,449	6,698	9,252	—	40,456
	<u>2,842,088</u>	<u>205,976</u>	<u>22,298</u>	<u>282,863</u>	<u>14,617</u>	<u>657,684</u>	<u>51,075</u>	<u>4,076,601</u>
Liabilities								
Deposits from customers	2,783,399	259,092	95,430	6,500	—	2,108	—	3,146,529
Deposits and placements of banks and other financial institutions	14,620	—	61,484	—	—	—	—	76,104
Bills and acceptances payable	18,482	—	—	—	—	—	—	18,482
Other liabilities	—	54	108	164	332	1,113	56,307	58,078
Derivative liabilities	1,658	5,050	7,147	8,238	9,745	12,688	—	44,526
	<u>2,818,159</u>	<u>264,196</u>	<u>164,169</u>	<u>14,902</u>	<u>10,077</u>	<u>15,909</u>	<u>56,307</u>	<u>3,343,719</u>
Net liquidity gap	<u>23,929</u>	<u>(58,220)</u>	<u>(141,871)</u>	<u>267,961</u>	<u>4,540</u>	<u>641,775</u>	<u>(5,232)</u>	<u>732,882</u>

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
D Liquidity risk (continued)
Non-derivative financial liabilities

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

	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
2020								
Liabilities								
Deposits from customers	3,384,293	172,729	118,081	4,518	1,062	—	—	3,680,683
Deposits and placements of banks and other financial institutions	15,960	—	1,023	—	—	—	—	16,983
Bills and acceptances payable	6,578	—	—	—	—	—	—	6,578
Other liabilities [^]	—	60	120	180	360	478	132,592	133,790
	<u>3,406,831</u>	<u>172,789</u>	<u>119,224</u>	<u>4,698</u>	<u>1,422</u>	<u>478</u>	<u>132,592</u>	<u>3,838,034</u>
2019								
Liabilities								
Deposits from customers	2,783,497	259,388	95,727	6,576	—	1,062	—	3,146,250
Deposits and placements of banks and other financial institutions	14,620	—	61,484	—	—	—	—	76,104
Bills and acceptances payable	18,482	—	—	—	—	—	—	18,482
Other liabilities [^]	—	60	120	180	360	1,198	57,990	59,908
	<u>2,816,599</u>	<u>259,448</u>	<u>157,331</u>	<u>6,756</u>	<u>360</u>	<u>2,260</u>	<u>57,990</u>	<u>3,300,744</u>

[^] Excludes deferred income on loans and advances.

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

D Liquidity risk (continued)

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

	2020			2019		
	One year	Over one	Total	One year	Over one	Total
	or less	year		or less	year	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	27	139,884	139,911	2	112,376	112,378
Transaction related contingent items	1,795	20,177	21,972	389	23,347	23,736
Short-term self liquidating trade related contingencies	1,203	22,104	23,307	2,474	8,693	11,167
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	—	—	—	—	—	—
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	598,735	—	598,735	833,395	—	833,395
	<u>601,760</u>	<u>182,165</u>	<u>783,925</u>	<u>836,260</u>	<u>144,416</u>	<u>980,676</u>

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
D Liquidity risk (continued)
Derivative financial liabilities

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

	Up to 1 week	>1 week to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	Over 1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020							
Gross-settled derivatives:							
Foreign exchange forwards and swaps							
Receipts	15,595,202	3,783,142	2,758,982	2,610,470	446,220	650,280	25,844,296
Payments	(15,591,586)	(3,377,191)	(2,712,592)	(2,657,205)	(415,160)	(91,435)	(24,845,169)
	3,616	405,951	46,390	(46,735)	31,060	558,845	999,127
Interest rate and cross currency swaps							
Receipts	—	898	140	155,565	149,965	850,270	1,156,838
Payments	—	(462)	(73)	(156,785)	(150,979)	(844,736)	(1,153,035)
	—	436	67	(1,220)	(1,014)	5,534	3,803
	3,616	406,387	46,457	(47,955)	30,046	564,379	1,002,930
2019							
Gross-settled derivatives:							
Foreign exchange forwards and swaps							
Receipts	2,332,293	724,082	1,020,280	836,698	252,967	912,721	6,079,041
Payments	(2,339,067)	(721,936)	(1,002,588)	(587,580)	(254,873)	(98,584)	(5,004,628)
	(6,774)	2,146	17,692	249,118	(1,906)	814,137	1,074,413
Interest rate and cross currency swaps							
Receipts	—	1,980	25,185	16,865	141,553	316,806	502,389
Payments	—	(1,699)	(25,487)	(16,335)	(139,034)	(319,036)	(501,591)
	—	281	(302)	530	2,519	(2,230)	798
	(6,774)	2,427	17,390	249,648	613	811,907	1,075,211

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E Currency risk

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

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

2020	MYR	USD	SGD	GBP	AUD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short term funds	2,342,935	575,013	10,039	—	2,082	43,547	2,973,616
Financial assets at fair value through profit or loss (FVTPL)	983,029	—	—	—	—	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	409,055	—	—	—	—	—	409,055
Loans and advances	125,418	150,958	—	—	—	—	276,376
Other assets	9,229	112,995	205	132	363	7	122,931
Derivative assets	155,003	—	—	—	—	—	155,003
	<u>4,024,669</u>	<u>838,966</u>	<u>10,244</u>	<u>132</u>	<u>2,445</u>	<u>43,554</u>	<u>4,920,010</u>
Liabilities							
Deposits from customers	1,922,269	1,744,358	2,670	—	157	34,238	3,703,692
Deposits and placements of banks and other financial institutions	16,983	—	—	—	—	—	16,983
Bills and acceptances payable	2,505	4,073	—	—	—	—	6,578
Other liabilities	37,486	95,523	—	275	—	428	133,712
Derivative liabilities	269,086	—	—	—	—	—	269,086
	<u>2,248,329</u>	<u>1,843,954</u>	<u>2,670</u>	<u>275</u>	<u>157</u>	<u>34,666</u>	<u>4,130,051</u>
Currency gap	<u>1,776,340</u>	<u>(1,004,988)</u>	<u>7,574</u>	<u>(143)</u>	<u>2,288</u>	<u>8,888</u>	

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E Currency risk (continued)

2019	MYR	USD	SGD	GBP	AUD	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short term funds	1,849,538	792,542	28,636	8,688	11,734	44,863	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	900,961	—	—	—	—	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	102,576	—	—	—	—	—	102,576
Loans and advances	155,308	93,204	—	—	—	—	248,512
Other assets	8,053	13,392	—	—	—	—	21,445
Derivative assets	40,456	—	—	—	—	—	40,456
	<u>3,056,892</u>	<u>899,138</u>	<u>28,636</u>	<u>8,688</u>	<u>11,734</u>	<u>44,863</u>	<u>4,049,951</u>
Liabilities							
Deposits from customers	1,954,928	1,152,122	3,076	188	1,041	35,174	3,146,529
Deposits and placements of banks and other financial institutions	14,620	61,484	—	—	—	—	76,104
Bills and acceptances payable	12,683	5,799	—	—	—	—	18,482
Other liabilities	21,670	36,401	—	—	—	7	58,078
Derivative liabilities	44,526	—	—	—	—	—	44,526
	<u>2,048,427</u>	<u>1,255,806</u>	<u>3,076</u>	<u>188</u>	<u>1,041</u>	<u>35,181</u>	<u>3,343,719</u>
Currency gap	<u>1,008,465</u>	<u>(356,668)</u>	<u>25,560</u>	<u>8,500</u>	<u>10,693</u>	<u>9,682</u>	

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

F Credit risk

Maximum exposure to credit risk

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

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

	Note	<u>2020</u>	<u>2019</u>
		<u>RM'000</u>	<u>RM'000</u>
Assets			
Cash and short term funds*	2	2,972,848	2,734,147
Financial assets at fair value through profit or loss (FVTPL)	3	983,029	900,961
Financial assets at fair value through other comprehensive income (FVOCI)*	4	406,075	99,596
Loans and advances^	5	276,376	248,512
Other assets	6	115,428	21,442
Derivative assets	7	155,003	40,456
Total assets*		<u>4,908,759</u>	<u>4,045,114</u>
Commitments and contingencies		<u>39,253,543</u>	<u>12,429,913</u>
Total credit exposure		<u><u>44,162,302</u></u>	<u><u>16,475,027</u></u>

^ Net of collective impairment and individual impairment of RM23,342,829 (2019: RM21,334,452).

* Excludes cash in hand, unquoted shares and prepayments.

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

Collaterals

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

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

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

Concentration risk by geographical sectors

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

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F Credit risk (continued)
Concentration risk by geographical sectors (continued)

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

	Malaysia	United States	India	Singapore	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Cash and short term funds	2,904,736	12,444	101	10,039	45,528	2,972,848
Financial assets at fair value through profit or loss (FVTPL)	983,029	—	—	—	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	406,075	—	—	—	—	406,075
Loans and advances	276,376	—	—	—	—	276,376
Other assets	115,428	—	—	—	—	115,428
Derivative assets	113,159	8,796	—	23,653	9,395	155,003
On Balance Sheet total	4,798,803	21,240	101	33,692	54,923	4,908,759
Commitments and contingencies	25,591,662	1,243,726	—	1,468,146	10,950,009	39,253,543
Total credit exposure	30,390,465	1,264,966	101	1,501,838	11,004,932	44,162,302
2019						
Cash and short term funds	2,613,209	27,017	79	28,636	65,206	2,734,147
Financial assets at fair value through profit or loss (FVTPL)	900,961	—	—	—	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	—	—	—	—	99,596
Loans and advances	248,512	—	—	—	—	248,512
Other assets	21,442	—	—	—	—	21,442
Derivative assets	24,719	5,001	—	10,278	458	40,456
On Balance Sheet total	3,908,439	32,018	79	38,914	65,664	4,045,114
Commitments and contingencies	9,014,634	631,278	—	551,442	2,232,559	12,429,913
Total credit exposure	12,923,073	663,296	79	590,356	2,298,223	16,475,027

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F Credit risk (continued)
Concentration risk by economic sectors

	Government and government agencies	Mining and quarrying	Manufacturing	Construction	Wholesale & Retail trade, Restaurant & Hotels	Transport, storage, communication	Finance, insurance and business services	Household	Others	Total
2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	2,904,722	—	—	—	—	—	68,126	—	—	2,972,848
Financial assets at fair value through profit or loss (FVTPL)	983,029	—	—	—	—	—	—	—	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	406,075	—	—	—	—	—	—	—	—	406,075
Loans and advances	—	14,549	160,465	—	20,867	915	78,994	586	—	276,376
Other assets	—	—	—	—	—	—	115,428	—	—	115,428
Derivative assets	—	—	3,308	1	—	—	151,694	—	—	155,003
On Balance Sheet total	4,293,826	14,549	163,773	1	20,867	915	414,242	586	—	4,908,759
Commitments and contingencies	603	—	473,920	—	—	—	38,180,285	598,735	—	39,253,543
Total credit exposure	4,294,429	14,549	637,693	1	20,867	915	38,594,527	599,321	—	44,162,302

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F Credit risk (continued)
Concentration risk by economic sectors (Continued)

	Government and government agencies	Mining and quarrying	Manufacturing	Construction	Wholesale & Retail trade, Restaurant & Hotels	Transport, storage, communication	Finance, insurance and business services	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Cash and short term funds	2,101,520	—	—	—	—	—	632,627	—	—	2,734,147
Financial assets at fair value through profit or loss (FVTPL)	900,961	—	—	—	—	—	—	—	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	99,596	—	—	—	—	—	—	—	—	99,596
Loans and advances	—	24,924	127,304	—	284	1,004	94,312	679	5	248,512
Other assets	—	—	—	—	—	—	21,442	—	—	21,442
Derivative assets	—	—	5,801	93	—	—	34,562	—	—	40,456
On Balance Sheet total	3,102,077	24,924	133,105	93	284	1,004	782,943	679	5	4,045,114
Commitments and contingencies	20,498	—	653,325	26,526	27,866	2,000	10,866,303	833,395	—	12,429,913
Total credit exposure	3,122,575	24,924	786,430	26,619	28,150	3,004	11,649,246	834,074	5	16,475,027

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

F Credit risk (continued)

Credit quality analysis

	AAA to B RM'000	B- RM'000	CCC and lower RM'000	Not rated RM'000	Total gross amount RM'000	Impairment allowance RM'000	Total net amount RM'000
2020							
Cash and short term funds	2,973,616	—	—	—	2,973,616	—	2,973,616
Financial assets at fair value through profit or loss (FVTPL)	983,029	—	—	—	983,029	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)	409,055	—	—	—	409,055	—	409,055
Loans and advances	262,590	—	36,516	613	299,719	(23,343)	276,376
Other assets	—	—	—	122,931	122,931	—	122,931
Derivative assets	154,990	—	—	13	155,003	—	155,003
Total assets	4,783,280	—	36,516	123,557	4,943,353	(23,343)	4,920,010
	AAA to B RM'000	B- RM'000	CCC and lower RM'000	Not rated RM'000	Total gross amount RM'000	Impairment allowance RM'000	Total net amount RM'000
2019							
Cash and short term funds	2,736,001	—	—	—	2,736,001	—	2,736,001
Financial assets at fair value through profit or loss (FVTPL)	900,961	—	—	—	900,961	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)	102,576	—	—	—	102,576	—	102,576
Loans and advances	224,333	—	44,829	685	269,847	(21,335)	248,512
Other assets	—	—	—	21,445	21,445	—	21,445
Derivative assets	40,297	—	15	144	40,456	—	40,456
Total assets	4,004,168	—	44,844	22,274	4,071,286	(21,335)	4,049,951

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F Credit risk (continued)
(a) Loans and advances

The table below presents an analysis of the credit quality of loans and advances by reference to the internal rating system adopted by the Bank

	Government & Government agencies	Large corporate customers	Staff loans	Mortgages	Total gross amount
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
ORR1 – Exceptional	—	—	—	—	—
ORR2 – Excellent	—	—	—	—	—
ORR3 – Strong	—	92,261	—	—	92,261
ORR4 – Good	—	148,560	—	—	148,560
ORR5 – Satisfactory	—	21,795	—	—	21,795
ORR6 – Acceptable	—	—	—	—	—
ORR7 – Watchlist	—	—	—	—	—
ORR8 – Special Mention	—	—	—	—	—
ORR9 – Sub-standard	—	36,490	—	—	36,490
ORR10 – Doubtful	—	—	—	—	—
ORR11 – Loss	—	—	—	—	—
Unrated	—	—	511	102	613
Total	—	299,106	511	102	299,719
2019					
ORR1 – Exceptional	—	—	—	—	—
ORR2 – Excellent	—	148,387	—	—	148,387
ORR3 – Strong	—	68,209	—	—	68,209
ORR4 – Good	—	6,725	—	—	6,725
ORR5 – Satisfactory	—	1,012	—	—	1,012
ORR6 – Acceptable	—	—	—	—	—
ORR7 – Watchlist	—	—	—	—	—
ORR8 – Special Mention	—	—	—	—	—
ORR9 – Sub-standard	—	44,802	—	—	44,802
ORR10 – Doubtful	—	—	—	—	—
ORR11 – Loss	—	—	—	—	—
Unrated	—	—	564	148	712
Total	—	269,135	564	148	269,847

*ORR = Obligor Risk Rating

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31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F Credit risk (continued)
Loans and advances (continued)
(b) Loans and advances individually impaired

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

	Corporate RM'000	Mortgages RM'000
2020		
Gross impaired	36,490	26
Less: Individual allowance	(21,026)	(26)
Net impaired	<u>15,464</u>	<u>—</u>
2019		
Gross impaired	44,802	27
Less: Individual allowance	(19,878)	(27)
Net impaired	<u>24,924</u>	<u>—</u>

Credit quality of financial assets

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

	Malaysian Government Securities ("MGS") RM'000	Malaysian Government Investment Issues RM'000	Bank Negara Bills RM'000	Unquoted securities RM'000	Total RM'000
2020					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	446,159	27,409	509,461	—	983,029
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	—	—	406,075	2,980	409,055
	<u>446,159</u>	<u>27,409</u>	<u>915,536</u>	<u>2,980</u>	<u>1,392,084</u>
2019					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	570,221	330,740	—	—	900,961
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	—	—	99,596	2,980	102,576
	<u>570,221</u>	<u>330,740</u>	<u>99,596</u>	<u>2,980</u>	<u>1,003,537</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

G Market risk

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

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

Interest rate risk sensitivity analysis on banking book

	2020	2019
	RM'000	RM'000
100 basis points parallel shocks		
Economic Value Loss	(31,637)	(11,938)
Earnings-at-risk	<u>20,192</u>	<u>17,863</u>
 VaR of the Bank	 2,944	 1,470
Maximum VaR	5,846	6,150
Minimum VaR	<u>577</u>	<u>1,260</u>

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	446,159	—	—	446,159
- Malaysian Government Investment Issues	27,409	—	—	27,409
- Malaysian Government Treasury Bills	509,461	—	—	509,461
Derivative assets				
- Foreign exchange forwards and swaps	—	83,017	—	83,017
- Interest rate and cross currency swaps	—	71,986	—	71,986
Financial assets at fair value through other comprehensive income				
Unquoted shares	—	—	2,980	2,980
Bank Negara Bills	406,075	—	—	406,075
Total assets	<u>1,389,104</u>	<u>155,003</u>	<u>2,980</u>	<u>1,547,087</u>
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	—	200,196	—	200,196
- Interest rate and cross currency swaps	—	68,890	—	68,890
Total liabilities	<u>—</u>	<u>269,086</u>	<u>—</u>	<u>269,086</u>
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	570,221	—	—	570,221
- Malaysian Government Investment Issues	330,740	—	—	330,740
Derivative assets				
- Foreign exchange forwards and swaps	—	23,563	—	23,563
- Interest rate and cross currency swaps	—	16,893	—	16,893
Financial assets at fair value through other comprehensive income				
Unquoted shares	—	—	2,980	2,980
Bank Negara Bills	99,596	—	—	99,596
Total assets	<u>1,000,557</u>	<u>40,456</u>	<u>2,980</u>	<u>1,043,993</u>
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	—	26,923	—	26,923
- Interest rate and cross currency swaps	—	17,603	—	17,603
Total liabilities	<u>—</u>	<u>44,526</u>	<u>—</u>	<u>44,526</u>

There were no transfers between levels 1 and 2 during the year (2019: There were no transfers between Levels 1 and 2)

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments in Level 1

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

Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

Financial instruments in Level 3

There were no movement in Level 3 instruments between financial year ended 31 December 2020 and 31 December 2019.

There were no gains or losses from Level 3 instruments recognised in profit or loss in the financial year ended 31 December 2020 and 31 December 2019.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)
Significant unobservable inputs

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

	Fair value at	Valuation technique	Significant unobservable inputs	Reasonable possible shift
	RM'000	RM'000	RM'000	RM'000
2020				
Financial assets at FVOCI				
Unquoted shares	2,980	Net tangible asset	Net tangible asset	+/- 5%
2019				
Financial assets at FVOCI				
Unquoted shares	2,980	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 RM1,240,751 (2019: RM368,324) higher and RM906,855 (2019: RM117,516) lower respectively.

Financial instruments not measured at fair value

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

	Carrying value	Level 1	Level 2	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Assets				
Cash and short term funds	2,973,616	2,973,616	—	2,973,616
Loans and advances*	278,667	—	285,138	285,138
Other assets	122,931	—	122,931	122,931
Statutory deposits with Bank Negara Malaysia	13,001	13,001	—	13,001
Total	<u>3,388,215</u>	<u>2,986,617</u>	<u>408,069</u>	<u>3,394,686</u>
Liabilities				
Deposits from customers	3,703,692	—	3,703,678	3,703,678
Deposits and placement of banks and other financial institutions	16,983	—	16,983	16,983
Bills and acceptances payable	6,578	—	6,578	6,578
Other liabilities	133,712	—	133,712	133,712
Total	<u>3,860,965</u>	<u>—</u>	<u>3,860,951</u>	<u>3,860,951</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)
Financial instruments not measured at fair value (continued)

	Carrying value	Level 1	Level 2	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Assets				
Cash and short term funds	2,736,001	2,736,001	—	2,736,001
Loans and advances*	249,941	—	249,924	249,924
Other assets	21,445	—	21,445	21,445
Statutory deposits with Bank Negara Malaysia	10,001	10,001	—	10,001
Total	3,017,388	2,746,002	271,369	3,017,371
Liabilities				
Deposits from customers	3,146,529	—	3,146,492	3,146,492
Deposits and placement of banks and other financial institutions	76,104	—	76,104	76,104
Bills and acceptances payable	18,482	—	18,482	18,482
Other liabilities	58,078	—	58,078	58,078
Total	3,299,193	—	3,299,156	3,299,156

* Excludes Expected Credit Loss stage 3

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 and advances

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.

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32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)
(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.

33 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

			Related amounts not set off in the statement of financial position			
	Gross amount recognised financial assets	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial Instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Derivative financial assets	155,003	—	155,003	(83,216)	(103,157)	(31,370)
Derivative financial liabilities	269,086	—	269,086	(83,216)	(52,034)	133,836
2019						
Derivative financial assets	40,456	—	40,456	(9,926)	(12,272)	18,258
Derivative financial liabilities	44,526	—	44,526	(9,926)	(15,193)	19,407

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

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34 SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

In the first quarter of 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In an attempt to contain the spread and impact of the COVID-19 pandemic, travel bans and restrictions, quarantines, stay-at-home orders and limitations on business activity have been implemented. Additionally, there has been a decline in global economic activity, reduced global economic output and a deterioration in macroeconomic conditions globally.

This has resulted in, among other things, high rates of unemployment and under employment and caused volatility and disruptions in the global financial markets. Although vaccines have been approved for immunization against COVID-19 in certain countries and restrictive measures have been eased in certain areas, businesses, market participants, the Bank's counterparties and clients and global economies have been impacted and are likely to be so for an extended period of time, as there remains significant uncertainty about the timing and strength of an economic recovery.

The Bank has taken actions to mitigate the impacts of COVID-19, both locally and as part of BAC's coordinated response, which has included moving a majority of staff to a work from home posture.

Although the macroeconomic outlook improved modestly during the second half of 2020, the future direct and indirect impact of COVID-19 on the Bank's businesses, results of operations and financial condition remain highly uncertain. Should current economic conditions persist or deteriorate, this macro economic environment will have a continued adverse effect on the Bank's businesses and results of operations and could have an adverse effect on its financial condition.

35 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There are no significant events subsequent to the balance sheet date.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 July 2021.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Raymond Yeoh Cheng Seong and Kellee Kam Chee Khiong, being two of the Directors of Bank of America Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 10 to 86 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and financial performance of the Bank for the financial year ended 31 December 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 2 July 2021.

RAYMOND YEOH CHENG SEONG
DIRECTOR

KELLEE KAM CHEE KHIONG
DIRECTOR

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

I, Wong Poh Leng, 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 86 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

WONG POH LENG

Subscribed and solemnly declared by the above named Wong Poh Leng at Kuala Lumpur on 2 July 2021, before me.

COMMISSIONER FOR OATHS



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bank of America Malaysia Berhad ("the Bank") give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 86.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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



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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

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

Kuala Lumpur
2 July 2021