

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 2022

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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BANK OF AMERICA MALAYSIA BERHAD
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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 2022.

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

	2022
	RM'000
Profit before taxation	161,330
Taxation	(46,327)
Profit for the financial year	<u>115,003</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 2022.

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.

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

BANK OF AMERICA MALAYSIA BERHAD
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DIRECTORS' REPORT (CONTINUED)

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:

Raymond Yeoh Cheng Seong
Sarena Cheah Yean Tih
Anthony Lim Choon Eng
Dato' Wan Kamaruzaman bin Wan Ahmad (appointed on 26 July 2022)
Andrew Mark Sill (appointed on 1 December 2022)
Kellee Kam Chee Khiong (Chairman) (resigned on 22 August 2022)
Dato' Mohammed Bin Haji Che Hussein (resigned on 28 June 2022)

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

DIRECTORS' INTERESTS

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

	Bank of America Corporation			
	Number of ordinary shares of USD0.01 each			
	Shares held by Directors in their own name			
	As at 1.1.2022	Acquired/ Granted	Disposed	As at 31.12.2022
Raymond Yeoh Cheng Seong	26,527	7,634	(8,809)	25,352

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.

DIRECTORS' REMUNERATION

During the financial year, Directors and Officers of the Bank are covered under the Enterprise level Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Bank subject to the terms of the policy. The premium is paid by the holding company of the Bank, Bank of America Corporation, as this is incurred collectively for all the Directors & Officers of the Group.

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' REMUNERATION (CONTINUED)

The remuneration in aggregate for Directors of the Bank for the financial year are as follows:

Directors of the Bank	RM'000
- Director fees	523
- Directors other emoluments	5,505

Details of Directors' Remuneration are set out in Note 23 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 2022

Following the challenging pandemic conditions of 2020 and 2021 the Bank emerged stronger both in terms of operational resilience and business achievements. We continued to target responsible and sustainable growth with the same focus on providing multinationals, large local corporations and financial institutions with commercial banking services and solutions. As before, these included 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 rate hikes by Central Banks in 2022 brought an end to the easy monetary policy of the last decade. Our strategy in previous years of building up client operating balances provided the bank with a significant increase in float revenues. Our liability side business improved with increases in our deposit base and a favorable ratio of non-interest bearing deposits to total deposits. With benign yield curve behavior in 2022, conditions were more favorable for our FICC fixed income inventory which we maintain to help facilitate client flows. Our very strict client selection criteria meant continued resilience in our lending portfolio with no material new impairments in the Bank's credit exposures.

OUTLOOK FOR THE FINANCIAL YEAR 2023

As in recent years, we continue to expect geopolitics, 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 achieve a more secure supply chain. The deflationary forces from technological advances and disruptions and ageing demographics in the developed world will continue in the long term. In the short to medium term, disruptions to the energy complex and to global supply chains combined with highly reflationary monetary policies of the last decade have created an inflationary backdrop that Central Banks are now addressing by withdrawing excess monetary accommodation aggressively. Regardless, the large and growing amounts of government, corporate and consumer debt will likely reduce the scope to fully normalize interest rates and achieve high positive real rates. Locally, we expect BNM to maintain supportive monetary policy. The MGS yield curve has also likely substantially discounted remaining rate hikes. However, the allowance for further discretionary withdrawals from the EPF could exert a downward influence on bond prices and a steeper yield curve. Political expediency will also exert a strong influence on policy makers both globally and locally as societies push against concentrated wealth and income disparity, globalization and immigration. Malaysia is expected to continue to benefit from further Foreign Direct Investments from MNCs looking to create an alternative supply chain footprint to diversify geo-political vulnerabilities.

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DIRECTORS' REPORT (CONTINUED)

OUTLOOK FOR THE FINANCIAL YEAR 2023 (CONTINUED)

We expect the Ringgit to trade in a tight range against the currencies of Malaysia's major trading partners with support coming from our current account surplus and FDI inflows. Despite the new Unity Government in Malaysia, we do not expect any significant near term national budgetary reforms and continued pressure for subsidies will limit any immediate fiscal consolidation.

The Bank will stay its course and leverage the competitive advantages gained from the combination of Bank of America's network, relative 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 need and want 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. On the ESG front, BAMB will follow the lead of the Bank of America Group to minimize the bank's impact on the environment and for the Group to achieve net zero by 2050. We will also help in educating and enabling our clients globally to achieve net zero 2050. The bank is currently making progress to assess and manage climate related risks with the implementation of a rigorous risk management program that advances the use of climate risk factors across risk types to evaluate risk to climate change.

There are no significant events subsequent to the reporting date for the current financial year.

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.

Composition of the Board

As of 31 December 2022, the Board has five (5) members, comprising the Chief Executive Officer and Executive Director (1), and Independent Directors (4), as follows:

	<u>Designation</u>
Raymond Yeoh Cheng Seong	Chief Executive Officer and Executive Director
Sarena Cheah Yean Tih	Independent Director
Anthony Lim Choon Eng	Independent Director
Dato' Wan Kamaruzaman bin Wan Ahmad	Independent Director
Andrew Mark Sill	Independent Director

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DIRECTORS' REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Composition of the Board (continued)

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

There are clear division of responsibilities between the Board and the Chief Executive Officer ("CEO") and Executive Director ("ED") to ensure the balance of power and authority. The CEO/ED'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

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 is also a Director of Merrill Lynch Malaysian Advisory Sdn Bhd and the Principal Officer of Bank of America, National Association, Labuan Branch (BANA Labuan).

Mr. Yeoh serves as Country Head, Malaysia, responsible for all of Bank of America's businesses in Malaysia. Prior to joining Bank of America, Mr. Yeoh served as the Country Chief Executive Officer of Deutsche Bank Malaysia and Head of Global Markets in Vietnam and Malaysia. Previously, he was also Head of Global Markets at ABN AMRO, Malaysia, Head of Treasury and Wealth Management at Hong Leong Bank and Regional Treasurer for Santander Asia. He has worked in various positions in Malaysia, 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 and Chartered Banker of the Asian Institute of Chartered Bankers. He has 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)

Sarena Cheah Yean Tih

Independent Director

Sarena Cheah Yean Tih served as an independent director of Bank of America Malaysia Berhad since June 2021. She is the Managing Director, Property Development Division of Sunway Berhad since 2015 and has been with the Sunway Group in internal audit, corporate finance, sales & marketing, and strategy & business development since 1995. Sarena Cheah Yean Tih is the Director of Sunway Berhad, SunREIT Capital Berhad, SunREIT Unrated Bond Berhad, SunREIT Perpetual Bond Berhad and Yayasan Raja Muda Selangor. She also serves as a Member in the National Committee for the Real Estate Housing and Developers Association Malaysia (REHDA). She is also the Manager of Sunway Real Estate Investment Trust. Sarena Cheah Yean Tih graduated from University of Western Australia with a Bachelor of Commerce (Accounting and Finance) Degree and Master's in Business Administration from Melbourne Business School. She also holds a Capital Markets Services License from the Securities Commission Malaysia and is a Fellow Member of Australia Certified Practicing Accountant (CPA).

Anthony Lim Choon Eng

Independent Director

Anthony Lim Choon Eng served as an independent director of Bank of America Malaysia Berhad since October 2021. He is a member of the Investment Panel for the Malaysian Government Public Services Pension fund or Kumpulan Wang Persaraan (Diperbadankan) ("KWAP"). He has over 35 years of experience in the banking and finance industry, serving in key management positions covering treasury, business banking, investment banking and risk management. He was Deputy Chief Executive Officer of Sumitomo Mitsui Banking Corporation Malaysia Berhad ("SMBC") from 2015 to 2020 and prior to that, an Independent Director of SMBC from 2011 to 2015. Anthony held various senior management positions in the Maybank group of companies from 1995 to 2009 and prior to that, he had worked in St. George Bank Limited and ANZ Bank Limited in Sydney. Anthony graduated with a Master Degree in Applied Finance from the Macquarie University, Australia and attended both the Senior Leadership Program and the Advanced Management Program from the Wharton School of Business, University of Pennsylvania, USA. He is a Fellow of the Australian Institute Banking and Finance, Senior Associate of the Securities Institute of Australia and Chartered Banker of the Asian Institute of Chartered Bankers.

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DIRECTORS' REPORT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

Profile of Directors (continued)

Dato' Wan Kamaruzaman Bin Wan Ahmad

Independent Director

Dato' Wan Kamaruzaman Bin Wan Ahmad served as an independent director of Bank of America Malaysia Berhad since 26 July 2022. He is a Chairman of Iris Capital Partners Sdn Bhd, Director in Minority Shareholder Watch Group, Global LNG Sdn Bhd and iPlus Technologies Sdn Bhd, Independent Director of Bond and Sukuk Information Platform Sdn Bhd (BIX Malaysia), Damansara REIT Managers Sdn Bhd, AlSalam REIT, Al-Aqar Healthcare REIT, Massive Equity Sdn Bhd, Malaysia Convention & Exhibition Bureau (MyCEB), Mudarabah Innovation Fund Investments Ltd, Malaysian Resources Corporation Berhad (MRCB) and Bermaz Auto Berhad, member of Investment Panel of Employees Provident Fund and member of Commission of Malaysian Aviation Commission (MAVCOM). Dato' Wan Kamaruzaman Wan Ahmad was the Chief Executive Officer ("CEO") of Kumpulan Wang Persaraan (Diperbadankan) [KWAP], the Government of Malaysia public sector pension fund from May 2013 until November 2018. Earlier, he was the General Manager, Treasury Department of the Employees Provident Fund (EPF) since October 2007. Dato' Wan Kamaruzaman started his career with Malayan Banking Berhad in 1981, mainly in Treasury Department. After leaving Maybank in 1994, he served as CEO and Director within the Affin Group until 2005. He then briefly served Kemuncak Facilities Management Sdn Bhd and Izoma (M) Sdn Bhd as Finance Director until 2007. Dato' Wan Kamaruzaman holds an Honours Degree in Economics (Analytical Economics) from University Malaya and Chartered Banker qualification from Asian Institute of Chartered Banker (AICB). He was also conferred the Darjah Sultan Ahmad Shah Pahang (DSAP) which carry the title Dato'.

Andrew Mark Sill

Independent Director

Andrew Mark Sill served as an independent director of Bank of America Malaysia Berhad since December 2022. Andrew has over 34 years experience in international banking, serving in several key management positions. Prior to being based in Malaysia for the last 14 years, he has worked in the UK, India and Singapore. Most recently he was Managing Director, Head of Commercial Banking Malaysia, HSBC Bank Malaysia Berhad (HSBC) from 2016 to 2022 and prior to that, he was Chief Executive Officer, Managing Director of The Royal Bank of Scotland Berhad from 2009 to 2016. Andrew was the Head of Corporate Banking, ASEAN of The Royal Bank of Scotland PLC, Singapore from 2000 to 2008 and between 1998 to 2000, he was the Head of Portfolio Management, S & SEA of National Westminster Bank, PLC, Singapore. Prior to that in 1996, Andrew held the role of Group Representative India for NatWest Markets-Mumbai, India. He was the Assistant Group Representative Malaysia, Natwest Markets-Malaysia between 1994 to 1996. Andrew graduated with a Bachelor of Arts (Hons) in Geography from the University of Birmingham, United Kingdom. He has completed the Financial Institutions Directors' Education Programme (FIDE) from Asia School of Business and the Sustainability Leadership and Corporate Responsibility program from the London Business School, United Kingdom. He is a Fellow of the Institute of Corporate Directors Malaysia (ICDM). He was also conferred the award, MBE (Member of the British Empire) from HM Queen Elizabeth II for his contribution to UK and Malaysian Business and Trade Services.

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 8 times during the financial year ended 31 December 2022. 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>
Raymond Yeoh Cheng Seong Chief Executive Officer and Executive Director	8/8	100 %
Sarena Cheah Yean Tih Independent Director	8/8	100 %
Anthony Lim Choon Eng Independent Director	8/8	100 %
Dato' Wan Kamaruzaman bin Wan Ahmad Independent Director (appointed on 26 July 2022)	3/3	100 %
Andrew Mark Sill Independent Director (appointed on 1 December 2022)	1/1	100 %
Kellee Kam Chee Khiong (retired as Chairman and Independent Director on 22 August 2022)	6/6	100 %
Dato' Mohammed Bin Haji Che Hussein (retired as Independent Director on 28 June 2022)	3/5	60 %

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

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' Wan Kamaruzaman Bin Wan Ahmad (Chairman) (appointed on 26 July 2022)	3/3	100 %
Anthony Lim Choon Eng	7/7	100 %
Andrew Mark Sill (appointed on 1 December 2022)	1/1	100 %
Dato' Mohammad Bin Haji Che Hussein (retired on 28 June 2022))	2/4	50 %
Kellee Kam Chee Khiong (resigned on 22 August 2022)	5/5	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>
Anthony Lim Choon Eng (Chairman)	6/6	100 %
Andrew Mark Sill (appointed on 1 December 2022)	1/1	100 %
Sarena Cheah Yean Tih	4/6	67 %
Kellee Kam Chee Khiong (resigned on 22 August 2022)	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>
Sarena Cheah Yean Tih (Chairman)	5/5	100 %
Anthony Lim Choon Eng	5/5	100 %
Andrew Mark Sill (appointed on 1 December 2022)	1/1	100 %
Kellee Kam Chee Khiong (resigned on 22 August 2022)	4/4	100 %

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DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF BOARD COMMITTEES

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>
Sarena Cheah Yean Tih (Chairman)	4/4	100 %
Anthony Lim Choon Eng	4/4	100 %
Andrew Mark Sill (appointed on 1 December 2022)	1/1	100 %
Kellee Kam Chee Khiong (resigned on 22 August 2022)	3/3	100 %

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 amounting to RM218,800. The details are disclosed in Note 22 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

DATO' WAN KAMARUZAMAN BIN WAN AHMAD
DIRECTOR

Kuala Lumpur
28 March 2023

BANK OF AMERICA MALAYSIA BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
ASSETS			
Cash and short term funds	2	8,424,353	4,799,517
Deposits and placements with banks and other financial institutions	3	617,799	–
Financial assets at fair value through profit or loss (FVTPL)	4	212,125	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	5	740,856	551,943
Loans and advances	6	533,223	288,037
Other assets	7	204,093	63,495
Derivative assets	8	499,641	97,225
Statutory deposits with Bank Negara Malaysia	9	80,001	60,001
Property and equipment	10	6,822	4,153
Tax recoverable		–	11,589
Deferred tax assets	11	3,844	2,143
TOTAL ASSETS		11,322,757	6,314,048
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	12	8,501,143	5,251,585
Deposits and placements of banks and other financial institutions	13	1,034,881	30,513
Bills and acceptances payable		9,815	7,207
Other liabilities	14	230,717	57,172
Derivative liabilities	15	572,345	118,290
Provision for taxation		9,617	–
TOTAL LIABILITIES		10,358,518	5,464,767
Share capital	16	135,800	135,800
Reserves	17	828,439	713,481
Shareholders' funds		964,239	849,281
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		11,322,757	6,314,048
COMMITMENTS AND CONTINGENCIES	30	65,929,179	36,701,369

BANK OF AMERICA MALAYSIA BERHAD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Interest income	18	149,258	48,596
Interest expense	19	(31,161)	(6,990)
Net interest income		118,097	41,606
Net trading income	20	111,959	53,168
Other operating income	21	40,292	34,931
Net non-interest income		152,251	88,099
Net income		270,348	129,705
Other operating expenses	22	(112,354)	(89,722)
Profit before impairment		157,994	39,983
Writeback of impairment allowance for credit losses	25	3,336	3,704
Net Profit before tax		161,330	43,687
Taxation	28	(46,327)	(11,695)
Profit for the financial year		115,003	31,992
Other comprehensive income:			
<u>Other comprehensive income/(loss) that will not be reclassified to the income statements</u>			
Change in value of equity investments at fair value through other comprehensive income (FVOCI)		(59)	(35)
Income tax effect		14	8
Other comprehensive income, net of tax		(45)	(27)
Total comprehensive income for the financial year		114,958	31,965
Earnings per share (sen)			
Basic/diluted	29	84.69	23.56

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Non distributable		Distributable	
	Share capital	FVOCI reserves	Regulatory reserves	Retained profits
	RM'000	RM'000	RM'000	RM'000
				Total
				RM'000
2022				
Balance at 1 January	135,800	1,032	1,704	710,745
				849,281
Profit for the financial year	—	—	—	115,003
				115,003
Other comprehensive income, net of income tax				
Net change in value of FVOCI	—	(45)	—	—
				(45)
Total other comprehensive income	—	(45)	—	—
				(45)
Total comprehensive income for the financial year	—	(45)	—	115,003
				114,958
Net change in regulatory reserves	—	—	(1,238)	1,238
				—
Balance at 31 December	135,800	987	466	826,986
				964,239
2021				
Balance at 1 January	135,800	1,059	693	679,764
				817,316
Profit for the financial year	—	—	—	31,992
				31,992
Other comprehensive income, net of income tax				
Net change in value of FVOCI	—	(27)	—	—
				(27)
Total other comprehensive income	—	(27)	—	—
				(27)
Total comprehensive income for the financial year	—	(27)	—	31,992
				31,965
Net change in regulatory reserves	—	—	1,011	(1,011)
				—
Balance at 31 December	135,800	1,032	1,704	710,745
				849,281

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before taxation		161,330	43,687
Adjustments for:			
Depreciation of property and equipment		1,343	1,265
Depreciation of right-of-use assets		780	661
Interest expense on lease liabilities		27	—
Finance cost on provision for reinstatement costs		89	—
Provision for reinstatement cost		3,522	—
Writeback of impairment allowance for credit losses		(3,336)	(3,704)
Net unrealised loss/(gain) on fair value changes in derivatives		51,640	(93,019)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL		382	(183)
		215,777	(51,293)
Changes in working capital:			
(Increase)/decrease in operating assets:			
Deposits and placements with banks		(617,799)	—
Financial assets FVTPL		223,438	547,267
Financial assets FVOCI		(188,972)	(142,923)
Loans and advances		(241,850)	(7,957)
Other assets		(140,598)	59,386
Derivative assets		(454,056)	150,797
Statutory deposit with Bank Negara Malaysia		(20,000)	(47,000)
Increase/(decrease) in operating liabilities:			
Deposits from customers		3,249,558	1,547,893
Deposits and placements of banks and other financial institutions		1,004,368	13,530
Bills and acceptances payable		2,608	629
Other liabilities		169,868	(76,891)
Derivative liabilities		454,055	(150,796)
Cash flows generated from operating activities		3,656,397	1,842,642
Net taxation paid		(26,858)	(14,650)
Net cash generated from operating activities		3,629,539	1,827,992
Cash flows from investing activities			
Purchase of property and equipment		(4,099)	(1,372)
Net cash used in investing activities		(4,099)	(1,372)
Cash flows from financing activities			
Repayment of lease rentals		(604)	(719)
Net cash used in financing activities		(604)	(719)
Net increase in cash and cash equivalents		3,624,836	1,825,901
Cash and cash equivalents as at 1 January		4,799,517	2,973,616
Cash and cash equivalents as at 31 December	2	8,424,353	4,799,517

An analysis of changes in lease liabilities is as follows:

	2022 RM'000	2021 RM'000
As at 1 January	1,498	1,113
Addition	—	1,071
Interest expense	27	33
Lease payments	(604)	(719)
As at 31 December	921	1,498

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 ("IFRS") 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.*

Effective for annual periods beginning on 1 January 2022.

Amendments to MFRS 9 Financial Instruments: Fees in the '10%' Test for Derecognition of Financial Liabilities (effective 1 January 2022)

When entities restructure their loans with the existing lenders, MFRS 9 requires management to quantitatively assess the significance of the difference between cash flows of the existing and new loans (commonly known as the '10% test').

This amendment to MFRS 9 clarifies that only fees paid or received between the borrower and the lender are included in the 10% test. Any fees paid to third parties should be excluded. This amendment will impact the result of the 10% test and accordingly affect the amount of gain or loss recognised in the income statements.

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 does not 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

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

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

The amendments shall be applied prospectively.

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

Annual Improvements to Illustrative Example accompanying MFRS 16 'Leases: Lease Incentives' (effective 1 January 2022)

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

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

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 to contracts for which the entity has yet to fulfil all its obligations at the beginning of annual reporting period in which the amendments are first applied.

Comparative information is not restated.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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.*

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2022.

Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

This standard clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, the Bank is required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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

Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates (effective 1 January 2023)

Amendments on disclosure of accounting policies

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates

The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024)

The amendments specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

Amendments to MFRS 101 'Classification of liabilities as current or noncurrent' (effective 1 January 2024)

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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively. The adoption of this standard is not expected to have any significant impact to the Bank.

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.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B INTEREST INCOME AND EXPENSES (CONTINUED)

Amortised cost and effective interest rate (continued)

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 financial instruments measured at amortised cost or FVOCI 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.

Interest income and expense on all trading assets and liabilities, and other financial instruments measured at fair value through profit or loss, are recognised in net trading income and net income from other financial instruments at fair value through profit or loss, respectively.

C PROVISIONS

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

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

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (the "SPPI test").

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The above SPPI test is met.

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
- 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 meet 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 short term funds, statutory deposits with Bank Negara Malaysia, loans and advances and other assets 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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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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'.

IBOR modification

When the basis to determine the future contractual cash flows of the financial assets measured using amortised cost measurement are modified entirely as a result of IBOR reform, the Bank applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of financial assets does not meet the criteria of the Phase 2 amendments, the Bank first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate. Any additional changes are accounted for as modification of financial assets in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the financial assets are not derecognised).

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E FINANCIAL LIABILITIES

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

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

(a) Financial liabilities at FVTPL

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

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

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

(b) Other liabilities measured at amortised cost

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

IBOR Modification

When the basis to determine the future contractual cash flows of the borrowings are modified entirely as a result of IBOR reform, the Bank applies the reliefs provided by the Phase 2 amendments related to IBOR reform to adjust the effective interest rate of the borrowings with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of the borrowings does not meet the criteria of the Phase 2 amendments, the Bank first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate of the borrowings. Any additional changes are accounted for as modification of borrowings in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the borrowings are not derecognised).

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the assets and 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. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income, 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 25. Any loss allowance is recognised as a provision.

Loan commitments

Loan commitments that the Bank are subject to loss allowance calculated in accordance with Note IK.

Other loan commitments provided by the Bank are measured as the amount of the loss allowance, with any loss allowance recognised as a provision. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G FINANCIAL GUARANTEES AND LOAN COMMITMENTS (CONTINUED)

Loan commitments (continued)

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.

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 instrument 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 of a financial asset 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 interest income.

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

A restructure can be considered substantial on a qualitative or quantitative basis.

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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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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, with a corresponding charge to profit or loss. An impairment gain or loss is recognised in the income statement at the amount of expected credit losses (or reversals) that is required to adjust the loss allowance to the amount required at the balance sheet date.

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. Any charge off and recoveries are recognised as a reduction (or increase) in the ECL allowance.

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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'). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

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 in the statement of financial position, and lease liabilities in other liabilities, at lease commencement.

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. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

(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 IL on impairment of non-financial assets. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

O BILLS AND ACCEPTANCES PAYABLE

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

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recognition of day one profit or loss

Evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets.

The Bank has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. The difference between the transaction price and the model valuation, commonly referred to as "day one profit or loss", is not recognised immediately in the income statement, but rather deferred in other assets (liabilities) where an instrument has a day one profit (loss).

The timing of recognition of deferred day one profit or loss is determined individually and is either deferred until the instrument's fair value can be determined using market observable inputs or realized through disposal or settlement. Day one profit or loss is deferred on level 3 trades and a minimum threshold is applied per trade which on an aggregate basis is immaterial to the Bank.

The financial instrument is subsequently measured at fair value. Subsequent changes in fair value are recognised immediately in the income statement.

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.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q FOREIGN CURRENCY TRANSLATIONS (CONTINUED)

(b) Foreign currency transactions and balances (continued)

Changes in the fair value of monetary items denominated in foreign currency classified as fair value through other comprehensive income (FVOCI) are analysed between exchange gains and losses resulting from changes in the amortised cost of the contract and other changes in the carrying amount of the contract. Exchange gains and losses related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in other comprehensive income. Exchange gains and losses on financial assets and liabilities measured at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Exchange gains and losses on non-monetary financial assets measured at fair value through other comprehensive income are included in other comprehensive income.

Non-monetary assets and liabilities that are not measured at fair value are not subsequently re-translated for movements in prevailing exchange rates.

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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Bank measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities 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.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

(b) Deferred tax (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred 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

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 3 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

Liabilities for wages, salaries, paid annual leave, bonuses, accumulating sick leave and non-monetary benefits that are expected to be settled wholly within 12 months after the year end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(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)

T EMPLOYEE BENEFITS (CONTINUED)

(c) Other long term employee benefit obligations

The Bank also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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.

The share based payment transaction and chargeback agreement creates a total charge to the profit and loss based on the grant date fair value of the awards adjusted for subsequent movements in the fair value of those awards prior to delivery.

The fair value determined at the grant date expensed over the vesting period is recognised under staff cost whereas the subsequent movement in the fair value prior to delivery is recorded in service fee income or service fee expense.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

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I SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W SHARE CAPITAL (CONTINUED)

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 GAINS OR LOSSES

Net trading income includes profits and losses arising on both the purchase and sale of trading instruments and from their revaluation to fair value. 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.

An entity shall disclose the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with MFRS 9

II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

The following is a brief description of the Bank's critical accounting estimates involving significant valuation judgment.

(a) Valuation 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.

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II CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) Valuation of financial instruments (continued)

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 financial instruments

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 25, which also sets out the key sensitivities of the ECL to changes in these elements.

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

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

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort

Note 25 provides additional detail on the Bank's approach to determining significant increase in credit risk.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

	2022	2021
	RM'000	RM'000
Cash and balances with banks and other financial institutions	55,785	73,112
Money at call and deposit placements maturing within one month	8,368,568	4,726,405
	<u>8,424,353</u>	<u>4,799,517</u>

Money at call and interbank placements is within Stage 1 allocation (12-month ECL) with RM Nil (2021: RM Nil) impairment allowance.

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022	2021
	RM'000	RM'000
Central Bank	617,799	—
	<u>617,799</u>	<u>—</u>

Central bank placements is within Stage 1 allocation (12-months ECL) with RM Nil (2021: RM Nil) impairment allowance.

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

	2022	2021
	RM'000	RM'000
Malaysian Government Securities	135,659	208,353
Malaysian Government Investment Issues	76,466	227,592
	<u>212,125</u>	<u>435,945</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2022	2021
	RM'000	RM'000
<u>Quoted securities in Malaysia:</u>		
Bank Negara Bills	737,887	548,974
<u>Unquoted securities in Malaysia:</u>		
Shares	2,969	2,969
	<u>740,856</u>	<u>551,943</u>

FVOCI is within Stage 1 allocation (12-months ECL) with RM Nil (2020: RM Nil) impairment allowance.

	2022	2021
	RM'000	RM'000
Unquoted Shares		
Credit Guarantee Corporation Bhd	2,968	2,968
ABM-MCD Holdings	1	1
	<u>2,969</u>	<u>2,969</u>

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

6 LOANS AND ADVANCES

	2022	2021
	RM'000	RM'000
(a) Loans and advances analysed by type		
At amortised cost		
Overdrafts	61	16,651
Factoring receivables	—	4,418
Staff loans	389	447
Revolving advances	407,921	262,452
Term loans	141,113	23,732
Mortgage loans	10	40
Gross loans and advances	<u>549,494</u>	<u>307,740</u>
Expected Credit Losses ("ECL")		
Stage 1: 12 Months - On Balance Sheet	(5,332)	(1,703)
Stage 2: Lifetime ECL not credit-impaired	(192)	—
Stage 3: Lifetime ECL credit-impaired	(10,747)	(18,000)
Total net loans and advances	<u>533,223</u>	<u>288,037</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**6 LOANS AND ADVANCES (CONTINUED)**

(b) By geographical distribution	2022	2021
	RM'000	RM'000
Malaysia	549,494	307,740
(c) By type of customer	2022	2021
	RM'000	RM'000
Domestic business enterprises	415,696	153,455
Domestic non-banking financial institutions	133,399	153,798
Individuals	399	487
	549,494	307,740
(d) By interest rate sensitivity	2022	2021
	RM'000	RM'000
Fixed rate:		
Housing loans	376	422
Other fixed rate loans	13	4,443
Variable rate:		
Base rate	10	40
Cost plus	140,272	121,691
Other floating rate loans	408,823	181,144
	549,494	307,740
(e) By sector	2022	2021
	RM'000	RM'000
Mining & quarrying	10,867	23,732
Manufacturing	241,787	99,032
Wholesale & Retail trade, Restaurant & Hotels	32,796	29,690
Transport, storage, communication	130,247	1,001
Finance, insurance and business services	133,398	153,798
Household	399	487
	549,494	307,740
(f) By economic purpose	2022	2021
	RM'000	RM'000
Purchase of transport vehicles	13	25
Purchase of landed property (residential)	386	462
Working capital	549,095	307,253
	549,494	307,740

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
6 LOANS AND ADVANCES (CONTINUED)

(g) By residual contractual maturity	2022	2021
	RM'000	RM'000
Within one year	549,118	307,293
One year to three years	—	25
Three years to five years	—	—
Over five years	376	422
	<u>549,494</u>	<u>307,740</u>

(h) Gross loans and advances by staging	2022	2021
	RM'000	RM'000
Stage 1: 12 Month ECL	484,458	282,995
Stage 2: Lifetime ECL not credit-impaired	54,159	—
Stage 3: Lifetime ECL credit-impaired	10,877	24,745
	<u>549,494</u>	<u>307,740</u>

(i) Movements in the gross carrying amount of loans and advances that contributed to changes in the expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit- Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	282,995	—	24,745	307,740
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)	(97,118)	—	(13,868)	(110,986)
New loans and advances originated	285,850	54,159	—	340,009
Net remeasurement due to changes in credit risk	12,731	—	—	12,731
Modification to contractual cash flows of loans and advances	—	—	—	—
Amount written off	—	—	—	—
At 31 December 2022	<u>484,458</u>	<u>54,159</u>	<u>10,877</u>	<u>549,494</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
6 LOANS AND ADVANCES (CONTINUED)

- (i) **Movements in the gross carrying amount of loans and advances that contributed to changes in the expected credit losses are as follows:**

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit- Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2021	263,203	—	36,516	299,719
Changes due to loans and advances recognised				
- Transfer from Stage 1: 12-Month ECL	(19)	19	—	—
- Transfer from Stage 2: Lifetime ECL not credit-impaired	1,276	(1,276)	—	—
- Transfer to Stage 3: Lifetime ECL credit-impaired	—	—	—	—
Loans and advances derecognised (other than write off)	(28,724)	—	(19)	(28,743)
New loans and advances originated	5,351	—	—	5,351
Net remeasurement due to changes in credit risk	41,908	1,257	(11,752)	31,413
Modification to contractual cash flows of loans and advances	—	—	—	—
Amount written off	—	—	—	—
At 31 December 2021	<u>282,995</u>	<u>—</u>	<u>24,745</u>	<u>307,740</u>

- (j) **Movements in impaired loans and advances are as follows:**

	2022 RM'000	2021 RM'000
At 1 January	24,745	36,516
Impaired during the year	—	—
Amount recovered	(14,183)	(12,078)
Exchange rate difference	315	307
At 31 December	<u>10,877</u>	<u>24,745</u>
Stage 3: Lifetime ECL credit-impaired	<u>(10,747)</u>	<u>(18,000)</u>
Net impaired loans and advances	<u>130</u>	<u>6,745</u>
Gross impaired loans as a % of gross loans and advances	<u>1.98 %</u>	<u>8.04 %</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
6 LOANS AND ADVANCES (CONTINUED)

(k) **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 2022	1,703	—	18,000	19,703
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)	(63)	—	(7,253)	(7,316)
New loans and advances originated	3,347	192	—	3,539
Net remeasurement due to changes in credit risk	345	—	—	345
At 31 December 2022	5,332	192	10,747	16,271

During the year, the gross carrying amount on third party loans and advances impacting the loss allowance increased RM242m reflecting customer drawdowns on loan facilities, whereby stage 1 increased RM201m and stage 2 increased RM54m. ECL on the gross carrying amount for stage 1 increased RM4m. This is reflective of macroeconomic uncertainty arising from rising rates and inflation.

	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 2021	2,291	—	21,052	23,343
Changes due to loans and advances recognised				
- Transfer to Stage 1: 12-Month ECL	(13)	13	—	—
- Transfer to Stage 2: Lifetime ECL not credit-impaired	7	(7)	—	—
- Transfer to Stage 3: Lifetime ECL credit-impaired	—	—	—	—
Loans and advances derecognised (other than write off)	(256)	—	(13)	(269)
New loans and advances originated	101	—	—	101
Net remeasurement due to changes in credit risk	(427)	(6)	(3,039)	(3,472)
At 31 December 2021	1,703	—	18,000	19,703

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
6 LOANS AND ADVANCES (CONTINUED)

(l) Impaired loans and advances analysed by geographical distribution	2022	2021
	RM'000	RM'000
Malaysia	10,877	24,745
(m) Impaired loans and advances analysed by economic purpose	2022	2021
	RM'000	RM'000
Purchase of landed property (residential)	10	12
Working capital	10,867	24,733
	10,877	24,745

7 OTHER ASSETS

	2022	2021
	RM'000	RM'000
Collateral receivables	157,326	31,697
Intercompany receivables	4,687	8,487
Deposits	36	36
Prepayments	—	4,171
Other receivables	42,044	19,104
	204,093	63,495

Other assets is within Stage 1 allocation (12-months ECL) with RM Nil (2020: RM Nil) impairment allowance. As at 31 December 2022, the Bank has posted and received cash collateral for derivatives transactions and had recognised a receivable of RM157,326,540 (2021:RM31,696,598) under market and client receivable on the Bank's statement of financial position.

8 DERIVATIVE ASSETS

	2022		2021	
	Contract/ Notional amount RM'000	Assets RM'000	Contract/ Notional amount RM'000	Assets RM'000
Foreign exchange forwards and swaps	20,595,224	331,385	4,975,057	43,416
Interest rate and cross currency swaps	13,525,910	168,256	10,417,275	53,809
	34,121,134	499,641	15,392,332	97,225

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
9 STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

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

10 PROPERTY AND EQUIPMENT

	Office Equipment and Furniture RM'000	Computer Equipment and Software RM'000	Bank Premises Alterations RM'000	Right of Use Asset RM'000	Total RM'000
2022					
Cost					
At 1 January	6,291	7,867	4,907	3,507	22,572
Additions	81	4,018	—	693	4,792
At 31 December	<u>6,372</u>	<u>11,885</u>	<u>4,907</u>	<u>4,200</u>	<u>27,364</u>
Accumulated depreciation					
At 1 January	5,399	6,123	4,907	1,990	18,419
Charged for the year	326	1,017	—	780	2,123
At 31 December	<u>5,725</u>	<u>7,140</u>	<u>4,907</u>	<u>2,770</u>	<u>20,542</u>
Net book value					
At 31 December	<u>647</u>	<u>4,745</u>	<u>—</u>	<u>1,430</u>	<u>6,822</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
2021					
Cost					
At 1 January	5,676	7,214	4,907	2,436	20,233
Additions	615	757	—	1,071	2,443
Disposal	—	(104)	—	—	(104)
At 31 December	<u>6,291</u>	<u>7,867</u>	<u>4,907</u>	<u>3,507</u>	<u>22,572</u>
Accumulated depreciation					
At 1 January	4,953	5,408	4,907	1,329	16,597
Charged for the year	446	819	—	661	1,926
Disposals	—	(104)	—	—	(104)
At 31 December	<u>5,399</u>	<u>6,123</u>	<u>4,907</u>	<u>1,990</u>	<u>18,419</u>
Net book value					
At 31 December	<u>892</u>	<u>1,744</u>	<u>—</u>	<u>1,517</u>	<u>4,153</u>

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11 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:

	2022	2021
	RM'000	RM'000
Deferred tax assets	<u>3,844</u>	<u>2,143</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
2022					
At 1 January	1,756	30	(323)	680	2,143
Credited to profit or loss (Note 28)	334	477	—	876	1,687
Credited to FVOCI Reserve	—	—	14	—	14
At 31 December	<u>2,090</u>	<u>507</u>	<u>(309)</u>	<u>1,556</u>	<u>3,844</u>
2021					
At 1 January	1,548	161	(331)	828	2,206
Credited to profit or loss (Note 28)	208	(131)	—	(148)	(71)
Charged to FVOCI Reserve	—	—	8	—	8
At 31 December	<u>1,756</u>	<u>30</u>	<u>(323)</u>	<u>680</u>	<u>2,143</u>

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
12 DEPOSITS FROM CUSTOMERS

	2022	2021
	RM'000	RM'000
Demand deposits	8,383,179	5,176,124
Savings deposits	7	7
Fixed deposits	117,957	75,454
	<u>8,501,143</u>	<u>5,251,585</u>

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

Due within six months	116,907	73,354
Six months to one year	—	1,050
One year to five years	1,050	—
More than five years	—	1,050
	<u>117,957</u>	<u>75,454</u>

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

Business enterprise	8,501,097	5,251,539
Individuals	46	46
	<u>8,501,143</u>	<u>5,251,585</u>

13 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022	2021
	RM'000	RM'000
Licensed banks	1,033,846	29,485
Other financial institutions	1,035	1,028
	<u>1,034,881</u>	<u>30,513</u>

14 OTHER LIABILITIES

	2022	2021
	RM'000	RM'000
Collateral payables	157,876	25,548
Intercompany payables	8,917	6,807
Deferred income on loans, advances and financing	892	—
Accruals	8,656	7,967
Share-based recharge payables	325	1,503
ECL for guarantees and commitments (Note 14 (a))	1,227	1,131
Lease Liabilities (Note 14(b))	921	1,498
Provisions (Note 14 (c))	4,222	—
Other payables	47,681	12,718
	<u>230,717</u>	<u>57,172</u>

As at 31 December 2022, the Bank has posted and received cash collateral for derivatives transactions and had recognised a payable of RM157,875,673 (2021: RM25,547,927) under market and client payable respectively on the Bank's statement of financial position.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
14 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 2022	1,131	—	—	1,131
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	2	153	—	155
Financial assets derecognised (other than write off)	(267)	—	—	(267)
Net remeasurement due to changes in credit risk	208	—	—	208
At 31 December 2022	<u>1,074</u>	<u>153</u>	<u>—</u>	<u>1,227</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 2021	1,160	—	—	1,160
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	304	—	—	304
Financial assets derecognised (other than write off)	(350)	—	—	(350)
Net remeasurement due to changes in credit risk	17	—	—	17
At 31 December 2021	<u>1,131</u>	<u>—</u>	<u>—</u>	<u>1,131</u>

(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.

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
14 OTHER LIABILITIES (CONTINUED)
Lessee arrangement (continued)

In cases in which the Bank is not reasonably certain to exercise an optional extended lease term, payments associated with the optional period are not included within lease liabilities. Potential future cash outflows of RM4,604,145 have not been included in the lease liabilities because it is not reasonably certain that the leases will be extended or not terminated.

Lease liabilities	2022	2021
	RM'000	RM'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	621	604
One to five years	362	983
Total undiscounted lease liabilities at 31 December	<u>983</u>	<u>1,587</u>
Lease liabilities included in the statement of financial position at 31 December		
Current	605	578
Non-current	316	920
	<u>921</u>	<u>1,498</u>
Lease payments not included in the measurement of lease liabilities	<u>718</u>	<u>644</u>

(c) Provisions

	2022	2021
	RM'000	RM'000
Provision for reinstatement costs	<u>4,222</u>	<u>—</u>

15 DERIVATIVE LIABILITIES

	2022		2021	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
Foreign exchange forwards and swaps	19,521,855	400,510	8,220,444	68,518
Interest rate and cross currency swaps	11,257,455	171,835	11,964,632	49,772
	<u>30,779,310</u>	<u>572,345</u>	<u>20,185,076</u>	<u>118,290</u>

BANK OF AMERICA MALAYSIA BERHAD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
16 SHARE CAPITAL

	2022	2021
	Number of Ordinary Shares	Number of Ordinary Shares
Issued shares - RM1.00 each	135,800,000	135,800,000
Authorised shares	250,000,000	250,000,000

17 RESERVES

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

	2022	2021
	RM'000	RM'000
At 1 January	1,032	1,059
Net change in value of debt and equity investments at fair value through other comprehensive income (FVOCI)	(45)	(27)
At 31 December	<u>987</u>	<u>1,032</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.

18 INTEREST INCOME

	2022	2021
	RM'000	RM'000
Loans and advances	13,843	6,030
Money at call and deposit placements with banks and other financial institutions	118,558	30,525
Financial assets at FVOCI	16,857	12,038
Others	—	3
	<u>149,258</u>	<u>48,596</u>

19 INTEREST EXPENSE

	2022	2021
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	19,616	531
Deposits from customers	11,545	6,459
	<u>31,161</u>	<u>6,990</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
20 NET TRADING INCOME

	2022	2021
	RM'000	RM'000
Fair value gain/(loss) on instruments held for trading		
Debt instruments at FVTPL		
Net loss from sale of financial assets at FVTPL	(22,729)	(42,381)
Unrealised revaluation (loss)/gain on financial assets at FVTPL	(382)	183
Derivatives financial instruments		
Realised gain on derivatives	12,634	5,755
Unrealised (loss)/gain on foreign exchange forwards	(44,024)	92,078
Unrealised (loss)/gain on interest rate and cross currency swaps	(7,616)	941
Interest income from financial assets at FVTPL	42,695	43,171
Realised foreign exchange gain/(loss)	131,640	(46,573)
Others	(259)	(6)
	<u>111,959</u>	<u>53,168</u>

21 OTHER OPERATING INCOME

	2022	2021
	RM'000	RM'000
Fee income		
Commission	415	462
Service charges and fees	9,882	7,848
Guarantee fees	3,370	1,583
Management fee income	4,831	3,974
Other fee income	21,762	21,045
Total fee income	<u>40,260</u>	<u>34,912</u>
Others	32	19
	<u>40,292</u>	<u>34,931</u>

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22 OTHER OPERATING EXPENSES

	2022	2021
	RM'000	RM'000
Personnel costs		
Salaries, allowances and bonuses	29,576	29,834
Share-based payment	3,811	4,933
Defined contribution plans	6,235	5,494
Other personnel costs	3,922	2,303
	<u>43,544</u>	<u>42,564</u>
Establishment costs		
Depreciation of property and equipment	1,343	1,265
Depreciation of right-of-use-assets	780	661
Interest expense on lease liabilities	27	33
Finance cost on provision for reinstatement costs	89	—
Provision for reinstatement cost	3,522	—
Rental of premises	564	576
Rental of equipment	154	68
Repair and maintenance	1,661	1,467
Upkeep of office and building	5,186	1,829
Others	1,509	1,117
	<u>14,835</u>	<u>7,016</u>
Marketing expenses		
Business promotion and advertisement	—	30
Others	157	—
	<u>157</u>	<u>30</u>
Administration and general expenses		
Auditors' remuneration		
Current financial year		
- Statutory audit fees	219	215
- Non-audit fees	33	32
	<u>252</u>	<u>247</u>
Communication expenses	1,806	1,739
Legal and professional fees	228	318
Stationery and postages	462	443
Shared administrative support expenses	44,181	30,801
Others	6,889	6,564
	<u>53,818</u>	<u>40,112</u>
	<u>112,354</u>	<u>89,722</u>

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23 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:

	2022	2021
Executive Director and CEO:		
Raymond Yeoh Cheng Seong		
Salaries	1,496,004	1,496,004
Bonus	1,310,857	1,545,504
Defined contribution plan	831,087	756,402
Others	1,866,752	1,313,692
Non-Executive Directors:		
Fees		
David Allan Cairns	—	70,077
Ayesha Natchair Binti Dato Ally Maricar	—	112,716
Dato’ Mohammed Bin Haji Che Hussein	63,450	135,000
Kellee Kam Chee Khiong	119,868	154,185
Anthony Lim Choon Eng	135,000	33,750
Sarena Cheah Yean Tih	135,000	78,596
Dato’ Wan Kamaruzaman Bin Wan Ahmad	58,531	—
Andrew Mark Sill	11,466	—
	<u>6,028,015</u>	<u>5,695,926</u>

24 SHARE-BASED PAYMENT

BAC annual report 2021 BAC administers a number of equity compensation plans, with awards being granted predominantly from the Bank of America Corporation Equity Plan (BACEP). Under this plan, shares of BAC’s common stock are authorised to be used for grants of awards to the Bank’s employees.

During the year ended 31 December 2022, BAC granted 20,540 (2021: 28,598) restricted stock unit (RSU) awards to certain employees of the Company under the BACEP, which will settle predominantly in shares of common stock of BAC. The four-year awards vest primarily in one-fourth increments on each of the first four anniversaries of the grant date while the three-year awards vest primarily in one-third increments on each of the first three anniversaries of the grant date, provided that the employee remains continuously employed with the Company during that time. The expense recognised is net of estimated forfeitures for non-retirement eligible employees based on the grant-date fair value of the shares. Of the RSUs granted in 2022 that vest over four years, 7,525 units do not include retirement eligibility. For all other RSUs granted to employees who are retirement eligible, they are deemed authorised as of the beginning of the year preceding the grant date when the incentive award plans are generally approved. As a result, the estimated value is expensed ratably over the year preceding the grant date.

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

Recipients of RSU awards may receive cash payments equivalent to dividends. For awards that are not dividend-eligible, the fair value measurement of the award is decreased to reflect the expected value of the dividends that similar awards would be eligible to receive. The RSUs had a grant date weighted-average fair value of USD47.97 per share (2021: USD33.76 per share) per share.

The total pre-tax cost recognised in profit and loss for share-based compensation plans for the year ended 31 December 2022 was RM3,811,058 (2021: RM4,932,900), including the incremental effects of the chargeback agreements with BAC [RM3,989 included within Service Fee Note 22].

The compensation cost for share-based plans is presented in Note 22 to the financial statements.

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25 WRITEBACK OF IMPAIRMENT ALLOWANCE FOR CREDIT LOSSES

	2022	2021
	RM'000	RM'000
Allowance for impairment		
- Loans and advances	(3,432)	(3,640)
- Guarantees and commitments	96	(28)
Impaired loans and advances recovered	—	(36)
	<u>(3,336)</u>	<u>(3,704)</u>

Measurement of ECL

The key inputs in the measurement of ECL are 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 Bank 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.

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25 WRITEBACK OF IMPAIRMENT ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Credit risk ratings (continued)

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

Determining a significant increase in credit risk

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

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. Review of the assumptions is integrated into the Bank's risk and governance processes.

As part of these governance processes, the Bank has adopted a framework to assess certain risks, that may not be fully captured in the modelled ECL computation. These factor into the ECL an estimated impact from higher-risk segments that includes country of risk and industries, which have been adversely impacted by the effects of COVID-19. In addition, the Bank considers the potential for further losses from large single-name 'fallen angel' exposures. The results of this assessment are then overlaid to the modelled output to result in the overall ECL provision.

Total judgement overlays at 31 December 2022 amounted to RM15,408,828 (2021: RM20,343,097). Included in the judgmental overlays are post model adjustments which represent 25% (2021:11%) and 61% (2021: 86%) of the total ECL for risk of failure of significant single name exposures ("fallen angels") and management overlays respectively.

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. To provide an illustration of the sensitivity of the macroeconomic scenarios and other assumptions on the estimate of our allowance for credit losses, the Bank assessed modelled ECL changes driven by stage and scenarios, shown below:

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 RM743,394 (2021: RM53,116), whereas moving all loans to the lifetime loss horizon (Stage 2) would increase the ECL allowance by RM3,962,434 (2021: RM2,519,172).

While the sensitivity analysis may be useful to understand how changes in macroeconomic assumptions could impact our modelled ECLs, it is not meant to forecast how our allowance for credit losses is expected to change in a different macroeconomic outlook. Importantly, the above sensitivities do not incorporate a variety of factors, including qualitative reserves and the weighting of alternate scenarios, which could have offsetting effects on the estimate.

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25 WRITEBACK OF IMPAIRMENT ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Sensitivity (continued)

For example, qualitative reserves are determined based on a number of risk factors not reflected in the modelled results and could increase or decrease depending on methodological or scenario weighting inputs.

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.

26 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

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26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)
(a) Related parties and relationships (continued)

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

<u>Related parties (continued)</u>	<u>Relationship (continued)</u>
Bank of America, National Association - Jakarta Branch	Branch of the immediate holding company
Bank of America, National Association - Mumbai Branch	Branch of the immediate holding company
Bank of America, National Association - Sydney Branch	Branch of the immediate holding company
Bank of America, National Association - Tokyo Branch	Branch of the immediate holding company
Bank of America, National Association - Hong Kong Branch	Branch of the immediate holding company
Bank of America, National Association - Seoul Branch	Branch of the immediate holding company
Bank of America, National Association - Shanghai Branch	Branch of the immediate holding company
BofA Securities Japan Co Limited	Subsidiary of the ultimate holding company
Merrill Lynch Malaysian Advisory Sdn. Bhd.	Subsidiary of the ultimate holding company
Merrill Lynch International	Subsidiary of the ultimate holding company
Merrill Lynch International Bank Limited	Subsidiary of the ultimate holding company
Merrill Lynch (Asia Pacific) Limited	Subsidiary of the ultimate holding company
Merrill Lynch Global Services Private Limited	Subsidiary of the ultimate holding company
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

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26 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)
(b) Significant related party balances and transactions

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

	2022			2021		
	Key Manage ment RM'000	Parent RM'000	Fellow subsidiaries RM'000	Key Manage ment RM'000	Parent RM'000	Fellow subsidiaries RM'000
Income						
Interest on deposits and placements with other financial institutions	—	3,931	1	—	199	1
Management fee income	—	—	4,831	—	—	3,974
Other fee income	—	15,817	3,355	—	14,369	5,831
	<u>—</u>	<u>19,748</u>	<u>8,187</u>	<u>—</u>	<u>14,568</u>	<u>9,806</u>
Expenses						
Interest on deposits and placements of banks and other financial institutions	—	19,546	55	—	502	13
Interest on deposits from customers	—	—	66	—	—	106
Shared administrative support expenses	—	35,229	8,952	—	23,963	6,838
	<u>—</u>	<u>54,775</u>	<u>9,073</u>	<u>—</u>	<u>24,465</u>	<u>6,957</u>
Amount due from						
Deposits and placements	—	1,767	17,658	—	9,298	36,473
Other receivables	—	2,859	1,828	—	10,795	1,859
	<u>—</u>	<u>4,626</u>	<u>19,486</u>	<u>—</u>	<u>20,093</u>	<u>38,332</u>
Amount due to						
Deposits and placements	—	1,016,834	9,877	—	17,674	15,264
Interest payable	—	3,655	6	—	—	4
Other payables	—	6,587	2,655	—	5,032	3,278
	<u>—</u>	<u>1,027,076</u>	<u>12,538</u>	<u>—</u>	<u>22,706</u>	<u>18,546</u>
Approved limit				2022	2021	
				RM'000	RM'000	
The approved limit on loans and advances for key management personnel				<u>—</u>	<u>—</u>	

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26 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(q) of Bank Negara Malaysia's Policy Document on Financial Reporting BNM/RH/PD 032-13 dated 29 April 2022.

2022

Type of service	Singapore RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
- Legal entity shared service#	12,357	13,870	3,246	29,473
- Global Transaction Services*	3,244	1,874	—	5,118
- Regional management^	2,151	1,478	—	3,629
- Others	76	—	5,885	5,961
	<u>17,828</u>	<u>17,222</u>	<u>9,131</u>	<u>44,181</u>

2021

Type of service	Singapore RM'000	Hong Kong RM'000	Others RM'000	Total RM'000
- Legal entity shared service#	8,354	9,529	2,732	20,615
- Global Transaction Services*	2,509	1,312	11	3,832
- Regional management^	1,409	491	—	1,900
- Others	—	996	3,458	4,454
	<u>12,272</u>	<u>12,328</u>	<u>6,201</u>	<u>30,801</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:

	2022 RM'000	2021 RM'000
Short-term employee benefits:		
Salaries and other remuneration	9,611	9,013
Fees	523	585
	<u>10,134</u>	<u>9,598</u>

The above remuneration includes Directors' remuneration as disclosed in Note 23 to the financial statements.

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27 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2022	2021
	RM'000	RM'000
Outstanding total exposure with connected parties	52,710	50,010
Total credit exposures	<u>52,710</u>	<u>50,010</u>
Total exposure to connected parties as % of total capital	<u>5.45 %</u>	<u>5.88 %</u>
Total exposure to connected parties as % of total outstanding credit exposures	<u>0.45 %</u>	<u>0.79 %</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.

28 TAXATION

	2022	2021
	RM'000	RM'000
Malaysian income tax:		
Current financial year	48,138	11,284
(Over)/under provision of prior financial years' taxation	(124)	340
Deferred taxation (Note 11)	(1,687)	71
Tax expense for the financial year	<u>46,327</u>	<u>11,695</u>

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

	2022	2021
	RM'000	RM'000
Profit before taxation	<u>161,330</u>	<u>43,687</u>
Tax calculated at rate of 24%	38,719	10,485
Expenses not deductible for tax purposes	1,178	832
(Over)/under provision of deferred taxation in prior financial years	(23)	38
(Over)/under provision of prior financial years' taxation	(124)	340
Tax rate of 33% on chargeable income above RM100m	6,577	–
Tax expense for the financial year	<u>46,327</u>	<u>11,695</u>

29 EARNINGS PER SHARE

The earnings per share has been calculated based on net profit for the financial year of RM115,002,995 (2021: RM31,992,580) and the weighted average number of ordinary shares in issue during the financial year of 135,800,000 units (2021: 135,800,000 units).

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30 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 rates, in the same or different currencies, for a specified period of time.

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30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The commitments and contingencies constitute the followings:

Description	31 December 2022			31 December 2021		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	102,454	102,454	99,246	135,846	134,991	131,391
Transaction related contingent items	158,142	79,071	78,150	69,048	34,274	33,035
Short term self liquidating trade related contingencies	10,547	2,110	2,109	18,470	3,671	3,671
Foreign exchange related contracts:						
- One year or less	40,117,080	388,234	147,806	13,275,858	148,340	93,393
- Over one year to five years	—	—	—	—	—	—
Interest/Profit rate related contracts:						
- One year or less	8,859,000	33,024	1,299	11,319,000	16,542	6,503
- Over one year to five years	15,716,365	363,388	152,781	10,932,500	202,289	86,147
- Over five years	208,000	10,980	5,490	250,050	11,483	9,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	—	—	—	1,349	671	335
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	757,591	—	—	699,248	—	—
Total	65,929,179	979,261	486,881	36,701,369	552,261	363,528

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31 CAPITAL ADEQUACY

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

	2022	2021
	RM'000	RM'000
Common Equity ("CET1") Capital and Tier 1 Capital		
Share capital	135,800	135,800
Retained profits	827,452	712,449
Other disclosed reserves		
Unrealised gains and losses on FVOCI financial instruments	987	1,032
	<u>964,239</u>	<u>849,281</u>
Less: regulatory adjustments		
- Deferred tax assets	(3,844)	(2,143)
- 55% of cumulative gains of FVOCI financial instruments	(543)	(568)
- Regulatory reserve	(466)	(1,704)
Total CET I and Tier I capital	<u>959,386</u>	<u>844,866</u>
Tier-II Capital		
Loss allowance for non-credit impaired exposures/ collective assessment allowance*	6,751	2,834
Regulatory reserve	466	1,704
Total Tier II capital	<u>7,217</u>	<u>4,538</u>
Total capital	<u><u>966,603</u></u>	<u><u>849,404</u></u>

*Excludes Lifetime ECL Credit Impaired (Stage 3) loans/collective assessment allowance on impaired loans restricted from Tier-II Capital of BAMB of RM10,747,315 (2021: RM18,000,435).

Capital ratios	2022	2021
CET I capital ratio	24.863%	47.019%
Tier I capital ratio	24.863%	47.019%
Total capital ratio	<u><u>25.050%</u></u>	<u><u>47.272%</u></u>

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 below, have been made in a separate Pillar 3 Disclosures Report.

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31 CAPITAL ADEQUACY (CONTINUED)

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

		2022		2021	
		Principal	Risk-weighted	Principal	Risk-weighted
		RM'000	RM'000	RM'000	RM'000
(i)	Credit risk				
	0%	2,168,391	—	5,373,890	—
	20%	8,078,000	1,615,600	181,022	36,204
	35%	—	—	28	10
	50%	337,022	168,511	214,145	107,072
	75%	—	—	—	—
	100%	868,299	868,299	558,671	558,671
	150%	—	—	983	1,475
		<u>11,451,712</u>	<u>2,652,410</u>	<u>6,328,739</u>	<u>703,432</u>
(ii)	Market risk	—	830,028	—	786,586
(iii)	Operational risk	—	376,309	—	306,833
		<u>11,451,712</u>	<u>3,858,747</u>	<u>6,328,739</u>	<u>1,796,851</u>

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NOTES TO THE FINANCIAL STATEMENTS
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32 USE OF FINANCIAL INSTRUMENTS

A Financial instruments by category

	2022			2021		
	Financial assets / liabilities measured at amortised cost RM'000	Financial assets / liabilities measured at fair value through profit or loss RM'000	Financial assets / liabilities measured at fair value through other comprehensive income RM'000	Financial assets / liabilities measured at amortised cost RM'000	Financial assets / liabilities measured at fair value through profit or loss RM'000	Financial assets / liabilities measured at fair value through other comprehensive income RM'000
Financial assets						
Cash and short term funds	8,424,353	—	—	4,799,517	—	—
Deposits and placements with banks and other financial institutions	617,799	—	—	—	—	—
Financial assets at fair value through profit or loss (FVTPL)	—	212,125	—	—	435,945	—
Financial assets at fair value through other comprehensive income (FVOCI)	—	—	740,856	—	—	551,943
Loans and advances	533,223	—	—	288,037	—	—
Other assets	204,093	—	—	59,324	—	—
Derivative assets	—	499,641	—	—	97,225	—
TOTAL ASSETS	9,779,468	711,766	740,856	5,146,878	533,170	551,943
Financial liabilities						
Deposits from customers	8,501,143	—	—	5,251,585	—	—
Deposits and placements of banks and other financial institutions	1,034,881	—	—	30,513	—	—
Bills and acceptances payable	9,815	—	—	7,207	—	—
Other liabilities	230,717	—	—	57,172	—	—
Derivative liabilities	—	572,345	—	—	118,290	—
TOTAL LIABILITIES	9,776,556	572,345	—	5,346,477	118,290	—

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

B Risk governance

BAC has established a risk governance framework (the “Risk Framework”) which serves as the foundation for consistent and effective management of risks facing BAC and its subsidiaries. The Risk Framework applies to all BAC employees. It provides an understanding of the Bank’s approach to risk management and each employee’s responsibilities for managing risk. All employees must take ownership for managing risk well and are accountable for identifying, escalating and debating risks facing the Bank. The following are the five components of the Bank’s risk management approach:

- Culture of Managing Risk Well;
- Risk Appetite and Risk Limits;
- Risk Management Processes;
- Risk Data Management, Aggregation and Reporting; and
- Risk Governance

The seven key types of risk faced by BAC businesses as defined in the Risk Framework are:

- Market risk
- Credit risk
- Liquidity risk
- Strategic risk
- Compliance risk
- Operational risk
- Reputational risks

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, Stressed Value-At-Risk (“SVaR”) is implemented as a stress measure.

Global Risk Management continually reviews, evaluates and enhances our VaR model so that it reflects the material risks in our trading portfolio. Changes to the VaR model are reviewed and approved prior to implementation and any material changes are reported to management through the appropriate management committees.

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Risk governance (continued)

Trading limits on quantitative risk measures, including VaR, are independently set by Global Markets Risk Management and reviewed on a regular basis so that trading limits remain relevant and within our overall risk appetite for market risks. Trading limits are reviewed in the context of market liquidity, volatility and strategic business priorities. Trading limits are set at both a granular level to allow for extensive coverage of risks as well as at aggregated portfolios to account for correlations among risk factors. All trading limits are approved at least annually.

Approved trading limits are stored and tracked in a centralized limits management system. Trading limit excesses are communicated to management for review.

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. Credit risk is created when the Bank commits to, or enters into, an agreement with a borrower or counterparty. The Bank defines the credit exposure to a borrower or counterparty as the loss potential arising from all product classifications including loans, leases, deposit overdrafts, derivatives and unfunded lending commitments which include loan commitments, letters of credit and financial guarantees.

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. The credit underwriting and monitoring of the Bank is in line with BAC's global Core Credit Policy. 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 grid. 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.

A number of actions is used to mitigate losses, including increased frequency and intensity of portfolio monitoring for moderate to weak risk profiles, hedging, and transferring management of deteriorated commercial exposures to special asset officers.

Credit risk management includes the following processes:

- Credit origination
- Portfolio management
- Loss mitigation activities
- Establishing the allowance for credit losses, which is a reserve for expected credit losses over the life of the Bank's lending commitments
- Climate risk management

These processes create a comprehensive and consolidated view of the Bank's credit risks, thus providing executive management with the information required to guide or redirect Front Line Units (FLUs) and certain legal entity strategic plans, if necessary.

Enterprise Risk Management, as well as supporting functions, 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 borrower financial analysis and reviewing them periodically;
- Monitoring collateral;
- Undertaking periodic portfolio reviews to ensure management is aware of 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.

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

B Risk governance (continued)

Liquidity risk management

Liquidity risk is the risk that the Bank will not be able to meet contractual and contingent financial obligations, on- or off-balance sheet, as they become 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 ensures 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 tools and plan:

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

Operational risk management

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

Interest rate and foreign exchange risk represents the most significant market risk exposure to our banking book balance sheet.

For interest rate risk, the management prepares forward-looking forecasts of net interest income. The baseline forecast takes into consideration expected future business growth, assets liabilities management positioning and the direction of interest rate movements as implied by the market-based forward curve.

The management then measures and evaluates the impact that alternative interest rate scenarios have on the baseline forecast in order to assess interest rate sensitivity under varied conditions. The net interest income forecast is frequently updated for changing assumptions and differing outlooks based on economic trends, market conditions and business strategies. Thus, we continually monitor our balance sheet position in order to maintain an acceptable level of exposure to interest rate changes.

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

C Interest rate risk (continued)

The interest rate scenarios that we analyze incorporate balance sheet assumptions such as loan and deposit growth and pricing, changes in funding mix, product repricing, maturity characteristics and investment securities premium amortization. Our overall goal is to manage interest rate risk so that movements in interest rates do not significantly adversely affect earnings and capital.

The Bank may use interest rate derivative contracts to manage its interest rate risks. However, the Bank does not designate any accounting hedges under MFRS 9 for such activities.

The following is a summary of the Bank's interest rate gap position on non-trading portfolio. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either:

- the next repricing date or the maturity date if floating or
- the maturity date if fixed rate

The amount under derivatives used for risk management represents the net contractual/ underlying principal amounts of all interest rate derivatives.

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

2022	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	8,368,568	–	–	–	–	55,785	–	8,424,353
Deposits and placements with banks and other financial institutions	–	617,799	–	–	–	–	–	617,799
Financial assets at fair value through profit or loss (FVTPL)	–	–	–	–	–	–	212,125	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	737,887	–	–	–	–	2,969	–	740,856
Loans and advances	549,118	–	–	–	376	(16,271)	–	533,223
Other assets	–	–	–	–	–	204,093	–	204,093
Derivative assets	–	–	–	–	–	–	499,641	499,641
Total assets	9,655,573	617,799	–	–	376	246,576	711,766	11,232,090
Liabilities								
Deposits from customers	3,411,603	18,813	50	–	1,050	5,069,627	–	8,501,143
Deposits and placements of banks and other financial institutions	1,013,930	1,035	–	–	–	19,916	–	1,034,881
Bills and acceptances payable	–	–	–	–	–	9,815	–	9,815
Other liabilities	–	–	–	–	–	230,717	–	230,717
Derivative liabilities	–	–	–	–	–	–	572,345	572,345
Total liabilities	4,425,533	19,848	50	–	1,050	5,330,075	572,345	10,348,901
On-balance sheet - interest rate gap	5,230,040	597,951	(50)	–	(674)			

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

2021	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	4,726,405	—	—	—	—	73,112	—	4,799,517
Financial assets at fair value through profit or loss (FVTPL)	—	—	—	—	—	—	435,945	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	548,974	—	—	—	—	2,969	—	551,943
Loans and advances	307,293	—	—	25	422	(19,703)	—	288,037
Other assets	—	—	—	—	—	59,324	—	59,324
Derivative assets	—	—	—	—	—	—	97,225	97,225
Total assets	5,582,672	—	—	25	422	115,702	533,170	6,231,991
Liabilities								
Deposits from customers	1,244,915	—	1,050	1,050	—	4,004,570	—	5,251,585
Deposits and placements of banks and other financial institutions	9,364	—	—	—	—	21,149	—	30,513
Bills and acceptances payable	—	—	—	—	—	7,207	—	7,207
Other liabilities	—	—	—	—	—	57,172	—	57,172
Derivative liabilities	—	—	—	—	—	—	118,290	118,290
Total liabilities	1,254,279	—	1,050	1,050	—	4,090,098	118,290	5,464,767
On-balance sheet - interest rate gap	4,328,393	—	(1,050)	(1,025)	422			

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32 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:

	2022			2021	
	MYR	USD	AUD	MYR	USD
	%	%	%	%	%
Financial assets					
Cash and short term funds	2.73	4.17	—	1.75	0.01
Financial assets at FVTPL	3.83	—	—	3.84	—
Loans and advances	3.81	5.07	3.62	2.81	1.64
Financial liabilities					
Deposits from customers	1.30	0.58	—	0.80	0.01
Deposits and placements of bank and other financial institutions	1.04	4.40	—	0.51	0.15

D Climate risk

Both physical and transitional climate related changes can impact market risk. Certain countries and corporates will be particularly affected by the geopolitical and economic impacts of climate change. Vendor climate models will be used to assess various climate scenarios such as acute and chronic climate perils due to rising temperatures, and / or the increased cost of adapting to new policies and customer preferences. Typically, gradual changes in asset values will be reflected in the capital markets. However, depending on the climate pathway, impacts from an immediate introduction of a carbon tax or significant deterioration of public finances from acute and chronic climate perils, which are not fully priced in, may result in financial risk from sudden and steep decline in prices of traded products. Therefore, the market risk component is most often captured through an instantaneous shock to several market risk factors such as equity volatilities, FX, credit spreads, including asset prices for commodities and real estate.

E 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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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E 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
2022								
Assets								
Cash and short term funds	8,424,353	–	–	–	–	–	–	8,424,353
Deposits and placements with banks and other financial institutions	–	–	617,799	–	–	–	–	617,799
Financial assets at fair value through profit or loss (FVTPL)	–	–	3,933	22,385	116,868	68,939	–	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	–	–	149,525	49,244	539,118	–	2,969	740,856
Loans and advances	532,847	–	–	–	–	376	–	533,223
Other assets	–	–	–	–	–	–	204,093	204,093
Derivative assets	29,204	62,562	19,664	130,279	93,352	164,580	–	499,641
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	80,001	80,001
Property and equipment	–	–	–	–	–	–	6,822	6,822
Deferred tax assets	–	–	–	–	–	–	3,844	3,844
	<u>8,986,404</u>	<u>62,562</u>	<u>790,921</u>	<u>201,908</u>	<u>749,338</u>	<u>233,895</u>	<u>297,729</u>	<u>11,322,757</u>
Liabilities								
Deposits from customers	8,428,205	67,334	4,504	–	50	1,050	–	8,501,143
Deposits and placements of banks and other financial institutions	1,033,846	1,035	–	–	–	–	–	1,034,881
Bills and acceptances payable	9,815	–	–	–	–	–	–	9,815
Other liabilities	–	44	88	132	265	970	229,218	230,717
Derivative liabilities	16,453	74,558	8,095	223,956	79,956	169,327	–	572,345
Provision for taxation	–	–	–	–	–	–	9,617	9,617
	<u>9,488,319</u>	<u>142,971</u>	<u>12,687</u>	<u>224,088</u>	<u>80,271</u>	<u>171,347</u>	<u>238,835</u>	<u>10,358,518</u>
Net liquidity gap	<u>(501,915)</u>	<u>(80,409)</u>	<u>778,234</u>	<u>(22,180)</u>	<u>669,067</u>	<u>62,548</u>	<u>58,894</u>	<u>964,239</u>

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E 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
2021								
Assets								
Cash and short term funds	4,799,517	—	—	—	—	—	—	4,799,517
Financial assets at fair value through profit or loss (FVTPL)	—	—	15,690	194,343	43,393	182,519	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	—	349,828	99,777	99,369	—	—	2,969	551,943
Loans and advances	287,590	—	—	—	—	447	—	288,037
Other assets	—	—	—	—	—	—	63,495	63,495
Derivative assets	2,024	561	5,536	10,924	19,512	58,668	—	97,225
Statutory deposit with Bank Negara Malaysia	—	—	—	—	—	—	60,001	60,001
Property and equipment	—	—	—	—	—	—	4,153	4,153
Tax recoverable	—	—	—	—	—	—	11,589	11,589
Deferred tax assets	—	—	—	—	—	—	2,143	2,143
	<u>5,089,131</u>	<u>350,389</u>	<u>121,003</u>	<u>304,636</u>	<u>62,905</u>	<u>241,634</u>	<u>144,350</u>	<u>6,314,048</u>
Liabilities								
Deposits from customers	5,178,134	52,867	15,516	2,968	1,050	1,050	—	5,251,585
Deposits and placements of banks and other financial institutions	29,485	1,028	—	—	—	—	—	30,513
Bills and acceptances payable	7,207	—	—	—	—	—	—	7,207
Other liabilities	—	44	88	132	265	969	55,674	57,172
Derivative liabilities	2,795	404	21,891	21,054	16,514	55,632	—	118,290
	<u>5,217,621</u>	<u>54,343</u>	<u>37,495</u>	<u>24,154</u>	<u>17,829</u>	<u>57,651</u>	<u>55,674</u>	<u>5,464,767</u>
Net liquidity gap	<u>(128,490)</u>	<u>296,046</u>	<u>83,508</u>	<u>280,482</u>	<u>45,076</u>	<u>183,983</u>	<u>88,676</u>	<u>849,281</u>

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E 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 1month 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
2022								
Liabilities								
Deposits from customers	8,429,147	67,378	4,519	—	50	1,050	—	8,502,144
Deposits and placements of banks and other financial institutions	1,033,846	1,035	—	—	—	—	—	1,034,881
Bills and acceptances payable	9,815	—	—	—	—	—	—	9,815
Other liabilities [^]	—	52	103	155	310	363	228,904	229,887
	<u>9,472,808</u>	<u>68,465</u>	<u>4,622</u>	<u>155</u>	<u>360</u>	<u>1,413</u>	<u>228,904</u>	<u>9,776,727</u>
2021								
Liabilities								
Deposits from customers	5,178,295	52,882	15,534	2,974	1,050	1,050	—	5,251,785
Deposits and placements of banks and other financial institutions	29,484	1,029	—	—	—	—	—	30,513
Bills and acceptances payable	7,207	—	—	—	—	—	—	7,207
Other liabilities [^]	—	35	103	155	310	984	55,675	57,262
	<u>5,214,986</u>	<u>53,946</u>	<u>15,637</u>	<u>3,129</u>	<u>1,360</u>	<u>2,034</u>	<u>55,675</u>	<u>5,346,767</u>

[^] Excludes deferred income on loans and advances.

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

E Liquidity risk (continued)

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

	2022			2021		
	One year or less	Over one year	Total	One year or less	Over one year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,080	100,374	102,454	13,565	122,281	135,846
Transaction related contingent items	12	158,130	158,142	59	68,989	69,048
Short-term self liquidating trade related contingencies	—	10,547	10,547	267	18,203	18,470
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	757,591	—	757,591	699,248	—	699,248
	<u>759,683</u>	<u>269,051</u>	<u>1,028,734</u>	<u>713,139</u>	<u>209,473</u>	<u>922,612</u>

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
E 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
2022							
Gross-settled derivatives:							
Foreign exchange forwards and swaps							
Receipts	16,761,256	3,696,422	6,785,438	1,862,653	240,838	28,783	29,375,390
Payments	(15,738,260)	(4,396,414)	(6,817,466)	(1,596,079)	(271,286)	(12,747)	(28,832,252)
	<u>1,022,996</u>	<u>(699,992)</u>	<u>(32,028)</u>	<u>266,574</u>	<u>(30,448)</u>	<u>16,036</u>	<u>543,138</u>
Interest rate and cross currency swaps							
Receipts	—	—	16,734	47,791	185,570	2,315,623	2,565,718
Payments	—	—	(16,810)	(43,556)	(123,455)	(2,285,712)	(2,469,533)
	<u>—</u>	<u>—</u>	<u>(76)</u>	<u>4,235</u>	<u>62,115</u>	<u>29,911</u>	<u>96,185</u>
	<u>1,022,996</u>	<u>(699,992)</u>	<u>(32,104)</u>	<u>270,809</u>	<u>31,667</u>	<u>45,947</u>	<u>639,323</u>
2021							
Gross-settled derivatives:							
Foreign exchange forwards and swaps							
Receipts	15,992,916	5,265,803	8,592,136	2,946,201	263,409	356,186	33,416,651
Payments	(16,000,122)	(5,272,570)	(8,432,643)	(2,839,844)	(221,108)	(31,729)	(32,798,016)
	<u>(7,206)</u>	<u>(6,767)</u>	<u>159,493</u>	<u>106,357</u>	<u>42,301</u>	<u>324,457</u>	<u>618,635</u>
Interest rate and cross currency swaps							
Receipts	—	6,753	30,466	78,681	107,965	1,178,568	1,402,433
Payments	—	(7,875)	(29,676)	(77,665)	(107,629)	(1,174,271)	(1,397,116)
	<u>—</u>	<u>(1,122)</u>	<u>790</u>	<u>1,016</u>	<u>336</u>	<u>4,297</u>	<u>5,317</u>
	<u>(7,206)</u>	<u>(7,889)</u>	<u>160,283</u>	<u>107,373</u>	<u>42,637</u>	<u>328,754</u>	<u>623,952</u>

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
F 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. Management sets limits on the level of exposure by currency for overnight positions which are monitored daily.

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.

2022	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	732,660	7,672,018	4,574	—	3,433	11,668	8,424,353
Deposits and placements with banks and other financial institutions	617,799	—	—	—	—	—	617,799
Financial assets at fair value through profit or loss (FVTPL)	212,125	—	—	—	—	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	740,856	—	—	—	—	—	740,856
Loans and advances	42,889	436,367	—	—	53,967	—	533,223
Other assets	15,606	188,487	—	—	—	—	204,093
Derivative assets	499,641	—	—	—	—	—	499,641
	<u>2,861,576</u>	<u>8,296,872</u>	<u>4,574</u>	<u>—</u>	<u>57,400</u>	<u>11,668</u>	<u>11,232,090</u>
Liabilities							
Deposits from customers	2,171,848	6,242,716	49,467	—	55	37,057	8,501,143
Deposits and placements of banks and other financial institutions	20,529	1,013,930	—	152	—	270	1,034,881
Bills and acceptances payable	4,217	5,598	—	—	—	—	9,815
Other liabilities	40,184	190,522	6	5	—	—	230,717
Derivative liabilities	572,345	—	—	—	—	—	572,345
	<u>2,809,123</u>	<u>7,452,766</u>	<u>49,473</u>	<u>157</u>	<u>55</u>	<u>37,327</u>	<u>10,348,901</u>
Currency gap	<u>52,453</u>	<u>844,106</u>	<u>(44,899)</u>	<u>(157)</u>	<u>57,345</u>	<u>(25,659)</u>	

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

F Currency risk (continued)

2021	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	3,578,079	1,184,553	9,617	—	316	26,952	4,799,517
Financial assets at fair value through profit or loss (FVTPL)	435,945	—	—	—	—	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	551,943	—	—	—	—	—	551,943
Loans and advances	117,998	170,039	—	—	—	—	288,037
Other assets	6,775	56,707	—	—	—	13	63,495
Derivative assets	97,225	—	—	—	—	—	97,225
	<u>4,787,965</u>	<u>1,411,299</u>	<u>9,617</u>	<u>—</u>	<u>316</u>	<u>26,965</u>	<u>6,236,162</u>
Liabilities							
Deposits from customers	1,768,399	3,455,513	9,178	—	36	18,459	5,251,585
Deposits and placements of banks and other financial institutions	17,717	8,336	—	33	—	4,427	30,513
Bills and acceptances payable	2,913	4,294	—	—	—	—	7,207
Other liabilities	23,306	33,866	—	—	—	—	57,172
Derivative liabilities	118,290	—	—	—	—	—	118,290
	<u>1,930,625</u>	<u>3,502,009</u>	<u>9,178</u>	<u>33</u>	<u>36</u>	<u>22,886</u>	<u>5,464,767</u>
Currency gap	<u>2,857,340</u>	<u>(2,090,710)</u>	<u>439</u>	<u>(33)</u>	<u>280</u>	<u>4,079</u>	

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G 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	2022	2021
		RM'000	RM'000
Assets			
Cash and short term funds*	2	8,423,062	4,798,479
Deposits and placements with banks and other financial institutions	3	617,799	—
Financial assets at fair value through profit or loss (FVTPL)	4	212,125	435,945
Financial assets at fair value through other comprehensive income (FVOCI)*	5	737,887	548,974
Loans and advances^	6	533,223	288,037
Other assets*	7	204,093	59,324
Derivative assets	8	499,641	97,225
Total assets*		<u>11,227,830</u>	<u>6,227,984</u>
Commitments and contingencies	30	<u>65,929,179</u>	<u>36,701,369</u>
Total credit exposure		<u><u>77,157,009</u></u>	<u><u>42,929,353</u></u>

^ Net of collective impairment and individual impairment of RM16,271,886 (2021: RM19,703,338).

* 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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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

G 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
2022						
Cash and short term funds	8,401,620	1,767	83	4,574	15,018	8,423,062
Deposits and placements with banks and other financial institutions	617,799	—	—	—	—	617,799
Financial assets at fair value through profit or loss (FVTPL)	212,125	—	—	—	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	737,887	—	—	—	—	737,887
Loans and advances	533,223	—	—	—	—	533,223
Other assets	204,093	—	—	—	—	204,093
Derivative assets	227,441	155,801	—	67,850	48,549	499,641
On Balance Sheet total	10,934,188	157,568	83	72,424	63,567	11,227,830
Commitments and contingencies	41,163,293	16,024,190	—	3,477,838	5,263,858	65,929,179
Total credit exposure	52,097,481	16,181,758	83	3,550,262	5,327,425	77,157,009
2021						
Cash and short term funds	4,752,297	9,298	129	9,617	27,138	4,798,479
Financial assets at fair value through profit or loss (FVTPL)	435,945	—	—	—	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	548,974	—	—	—	—	548,974
Loans and advances	288,037	—	—	—	—	288,037
Other assets	59,324	—	—	—	—	59,324
Derivative assets	52,208	13,607	—	14,384	17,026	97,225
On Balance Sheet total	6,136,785	22,905	129	24,001	44,164	6,227,984
Commitments and contingencies	23,772,383	4,224,098	—	2,215,752	6,489,136	36,701,369
Total credit exposure	29,909,168	4,247,003	129	2,239,753	6,533,300	42,929,353

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G Credit risk (continued)
Concentration risk by economic sectors

	Government & government agencies	Mining & quarrying	Manufacturing	Construction	Wholesale & Retail trade, Restaurant & Hotels	Transport, storage, communication	Finance, insurance & business services	Household	Total
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	8,401,583	—	—	—	—	—	21,479	—	8,423,062
Deposits and placements with banks and other financial institutions	617,799	—	—	—	—	—	—	—	617,799
Financial assets at fair value through profit or loss (FVTPL)	212,125	—	—	—	—	—	—	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	737,887	—	—	—	—	—	—	—	737,887
Loans and advances	—	129	239,552	—	32,511	128,198	132,444	389	533,223
Other assets	—	—	—	—	—	—	204,093	—	204,093
Derivative assets	—	—	14,609	1,736	1,508	2,517	479,271	—	499,641
On Balance Sheet total	9,969,394	129	254,161	1,736	34,019	130,715	837,287	389	11,227,830
Commitments and contingencies	—	92,257	2,019,277	219,326	352,494	204,763	63,041,062	—	65,929,179
Total credit exposure	9,969,394	92,386	2,273,438	221,062	386,513	335,478	63,878,349	389	77,157,009

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)

G Credit risk (continued)

Concentration risk by economic sectors (continued)

	Government & government agencies RM'000	Mining & quarrying RM'000	Manufacturing RM'000	Construction RM'000	Wholesale & Retail trade, Restaurant & Hotels RM'000	Transport, storage, communication RM'000	Finance, insurance & business services RM'000	Others RM'000	Total RM'000
2021									
Cash and short term funds	4,752,287	—	—	—	—		46,192	—	4,798,479
Financial assets at fair value through profit or loss (FVTPL)	435,945	—	—	—	—		—	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	548,974	—	—	—	—		—	—	548,974
Loans and advances	—	5,762	98,305	—	29,603	983	152,909	475	288,037
Other assets	—	—	—	—	—		59,324	—	59,324
Derivative assets	—	—	4,676	67	1,696	371	90,368	47	97,225
On Balance Sheet total	5,737,206	5,762	102,981	67	31,299	1,354	348,793	522	6,227,984
Commitments and contingencies	—	15,000	1,962,925	25,260	184,397	127,025	34,379,853	6,909	36,701,369
Total credit exposure	5,737,206	20,762	2,065,906	25,327	215,696	128,379	34,728,646	7,431	42,929,353

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G Credit risk (continued)
Credit quality analysis

	AAA to B	CCC and lower	Not rated	Total gross amount	Impairment allowance	Total net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022						
Cash and short term funds	8,423,062	—	—	8,423,062	—	8,423,062
Deposits and placements with banks and other financial institutions	617,799	—	—	617,799	—	617,799
Financial assets at fair value through profit or loss (FVTPL)	212,125	—	—	212,125	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	737,887	—	—	737,887	—	737,887
Loans and advances	538,228	10,877	389	549,494	(16,271)	533,223
Other assets	—	—	204,093	204,093	—	204,093
Derivative assets	499,354	—	287	499,641	—	499,641
Total assets	11,028,455	10,877	204,769	11,244,101	(16,271)	11,227,830
Commitments and contingencies	28,338,439	—	37,590,740	65,929,179	—	65,929,179
Total credit exposure	39,366,894	10,877	37,795,509	77,173,280	(16,271)	77,157,009
2021						
Cash and short term funds	4,798,479	—	—	4,798,479	—	4,798,479
Financial assets at fair value through profit or loss (FVTPL)	435,945	—	—	435,945	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	548,974	—	—	548,974	—	548,974
Loans and advances	282,520	24,745	475	307,740	(19,703)	288,037
Other assets	—	—	59,324	59,324	—	59,324
Derivative assets	96,838	—	387	97,225	—	97,225
Total assets	6,162,756	24,745	60,186	6,247,687	(19,703)	6,227,984
Commitments and contingencies	19,632,181	700	17,068,488	36,701,369	—	36,701,369
Total credit exposure	25,794,937	25,445	17,128,674	42,949,056	(19,703)	42,929,353

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G Credit risk (continued)
Credit quality analysis - by staging

	AAA to B	CCC and lower	Not rated	Total gross amount	Impairment allowance	Total net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022						
Stage 1						
Cash and short term funds	8,423,062	—	—	8,423,062	—	8,423,062
Deposits and placements with banks and other financial institutions	617,799	—	—	617,799	—	617,799
Financial assets at fair value through profit or loss (FVTPL)	212,125	—	—	212,125	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)	737,887	—	—	737,887	—	737,887
Loans and financing	484,069	—	389	484,458	(5,332)	479,126
Other assets	—	—	204,093	204,093	—	204,093
Derivative assets	499,354	—	287	499,641	—	499,641
Commitments and contingencies	28,057,652	—	37,590,740	65,648,392	—	65,648,392
	39,031,948	—	37,795,509	76,827,457	(5,332)	76,822,125
Stage 2						
Loans and financing	54,159	—	—	54,159	(192)	53,967
Commitments and contingencies	280,787	—	—	280,787	—	280,787
	334,946	—	—	334,946	(192)	334,754
Stage 3						
Loans and financing	—	10,877	—	10,877	(10,747)	130
Commitments and contingencies	—	—	—	—	—	—
	—	10,877	—	10,877	(10,747)	130

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G Credit risk (continued)
Credit quality analysis - by staging (continued)

	AAA to B	CCC and lower	Not rated	Total gross amount	Impairment allowance	Total net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021						
Stage 1						
Cash and short term funds	4,798,479	—	—	4,798,479	—	4,798,479
Financial assets at fair value through profit or loss (FVTPL)	435,945	—	—	435,945	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)	548,974	—	—	548,974	—	548,974
Loans and financing	282,532	—	463	282,995	(1,703)	281,292
Other assets	—	—	59,324	59,324	—	59,324
Derivative assets	96,838	—	387	97,225	—	97,225
Commitments and contingencies	19,629,230	700	17,068,488	36,698,418	—	36,698,418
	25,791,998	700	17,128,662	42,921,360	(1,703)	42,919,657
Stage 2						
Loans and financing	—	—	—	—	—	—
Commitments and contingencies	2,951	—	—	2,951	—	2,951
	2,951	—	—	2,951	—	2,951
Stage 3						
Loans and financing	—	24,733	12	24,745	(18,000)	6,745
Commitments and contingencies	—	—	—	—	—	—
	—	24,733	12	24,745	(18,000)	6,745

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G 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
2022					
ORR1 – Exceptional	—	—	—	—	—
ORR2 – Excellent	—	—	—	—	—
ORR3 – Strong	—	166,193	—	—	166,193
ORR4 – Good	—	107,477	—	—	107,477
ORR5 – Satisfactory	—	264,558	—	—	264,558
ORR6 – Acceptable	—	—	—	—	—
ORR7 – Watchlist	—	—	—	—	—
ORR8 – Special Mention	—	—	—	—	—
ORR9 – Sub-standard	—	—	—	—	—
ORR10 – Doubtful	—	—	—	10	10
ORR11 – Loss	—	10,867	—	—	10,867
Unrated	—	—	389	—	389
Total	—	549,095	389	10	549,494
2021					
ORR1 – Exceptional	—	—	—	—	—
ORR2 – Excellent	—	3,020	—	—	3,020
ORR3 – Strong	—	98,018	—	—	98,018
ORR4 – Good	2,410	175,062	—	—	177,472
ORR5 – Satisfactory	—	4,010	—	—	4,010
ORR6 – Acceptable	—	—	—	—	—
ORR7 – Watchlist	—	—	—	—	—
ORR8 – Special Mention	—	—	—	—	—
ORR9 – Sub-standard	—	24,733	—	12	24,745
ORR10 – Doubtful	—	—	—	—	—
ORR11 – Loss	—	—	—	—	—
Unrated	—	—	447	28	475
Total	2,410	304,843	447	40	307,740

*ORR = Obligor Risk Rating

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32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
G 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
2022		
Gross impaired	10,867	10
Less: Individual allowance	(10,737)	(10)
Net impaired	<u>130</u>	<u>—</u>
2021		
Gross impaired	24,733	12
Less: Individual allowance	(17,988)	(12)
Net impaired	<u>6,745</u>	<u>—</u>

(c) Securities at FVTPL and FVOCI

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
2022					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	135,659	76,466	—	—	212,125
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	<u>—</u>	<u>—</u>	<u>737,887</u>	<u>2,969</u>	<u>740,856</u>
	<u>135,659</u>	<u>76,466</u>	<u>737,887</u>	<u>2,969</u>	<u>952,981</u>
2021					
Financial assets at fair value through profit or loss (FVTPL)					
Sovereign rating (AAA to A-)	208,353	227,592	—	—	435,945
Financial assets at fair value through other comprehensive income (FVOCI)					
Sovereign rating (AAA to A-)	<u>—</u>	<u>—</u>	<u>548,974</u>	<u>2,969</u>	<u>551,943</u>
	<u>208,353</u>	<u>227,592</u>	<u>548,974</u>	<u>2,969</u>	<u>987,888</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
32 USE OF FINANCIAL INSTRUMENTS (CONTINUED)
H 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

		2022	2021
	Scenario	RM'000	RM'000
Economic Value Impact	Parallel 250 bps up	195,521	126,012
	Parallel 200 bps up	156,416	100,810
	Parallel 150 bps up	117,312	75,607
	Steeper	(74,732)	(50,233)
	Flattener	102,439	65,410
	Short Rate Up	156,762	100,477
	Short Rate Down	(156,762)	(100,477)
Earnings at Risk	Parallel 250 bps up	148,178	92,836
	Parallel 200 bps up	118,543	74,269
	Parallel 150 bps up	88,907	55,702

The following table presents year-end, average, high and low daily VaR using a 99 percent confidence level.

	Year End	Average	High	Low
	RM'000	RM'000	RM'000	RM'000
2022				
VaR of the Bank	2,211	3,747	7,791	969
Foreign exchange	2,302	3,721	7,707	1,061
Interest rate	1,250	1,321	4,848	33
2021				
VaR of the Bank	2,682	3,433	8,195	975
Foreign exchange	2,035	1,388	4,581	29
Interest rate	2,321	3,016	7,736	884

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
33 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).

Transfers between levels of the fair value hierarchy are assessed on a quarterly basis and the policy for determining a transfer amount is consistent for transfers in and transfers out.

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	135,659	—	—	135,659
- Malaysian Government Investment Issues	76,466	—	—	76,466
- Malaysian Government Treasury Bills	—	—	—	—
Derivative assets				
- Foreign exchange forwards and swaps	—	331,385	—	331,385
- Interest rate and cross currency swaps	—	168,256	—	168,256
Financial assets at fair value through other comprehensive income				
Unquoted shares	—	—	2,969	2,969
Bank Negara Bills	737,887	—	—	737,887
Total assets	<u>950,012</u>	<u>499,641</u>	<u>2,969</u>	<u>1,452,622</u>
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	—	400,510	—	400,510
- Interest rate and cross currency swaps	—	171,835	—	171,835
Total liabilities	<u>—</u>	<u>572,345</u>	<u>—</u>	<u>572,345</u>

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (FVTPL)				
- Malaysian Government Securities	208,353	—	—	208,353
- Malaysian Government Investment Issues	227,592	—	—	227,592
- Malaysian Government Treasury Bills	—	—	—	—
Derivative assets				
- Foreign exchange forwards and swaps	—	43,416	—	43,416
- Interest rate and cross currency swaps	—	53,809	—	53,809
Financial assets at fair value through other comprehensive income				
Unquoted shares	—	—	2,969	2,969
Bank Negara Bills	548,974	—	—	548,974
Total assets	<u>984,919</u>	<u>97,225</u>	<u>2,969</u>	<u>1,085,113</u>
Financial liabilities at fair value through profit or loss				
Derivative liabilities				
- Foreign exchange forwards and swaps	—	68,518	—	68,518
- Interest rate and cross currency swaps	—	49,772	—	49,772
Total liabilities	<u>—</u>	<u>118,290</u>	<u>—</u>	<u>118,290</u>

There were no transfers between levels 1 and 2 during the year (2021: There were no transfers between Levels 1 and 2)

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.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2022 and 31 December 2021.

There were no gains or losses from Level 3 instruments recognised in profit or loss in the financial year ended 31 December 2022 and 31 December 2021.

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
2022				
Financial assets at FVOCI				
Unquoted shares	2,969	Net tangible asset	Net tangible asset	+/- 5%
2021				
Financial assets at FVOCI				
Unquoted shares	2,969	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 RM2,475,980 (2021: RM2,405,663) higher and RM1,957,400 (2021: RM1,893,780) 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.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
33 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
2022				
Assets				
Cash and short term funds	8,424,353	8,424,353	—	8,424,353
Deposits and placements with banks and other financial institutions	617,799	617,799	—	617,799
Loans and advances	533,223	—	533,231	533,231
Other assets	204,093	—	204,093	204,093
Total	<u>9,779,468</u>	<u>9,042,152</u>	<u>737,324</u>	<u>9,779,476</u>
Liabilities				
Deposits from customers	8,501,143	—	8,501,143	8,501,143
Deposits and placement of banks and other financial institutions	1,034,881	—	1,034,881	1,034,881
Bills and acceptances payable	9,815	—	9,815	9,815
Other liabilities	230,717	—	230,717	230,717
Total	<u>9,776,556</u>	<u>—</u>	<u>9,776,556</u>	<u>9,776,556</u>
2021				
Assets				
Cash and short term funds	4,799,517	4,799,517	—	4,799,517
Loans and advances	288,037	—	288,045	288,045
Other assets	63,495	—	63,495	63,495
Total	<u>5,151,049</u>	<u>4,799,517</u>	<u>351,540</u>	<u>5,151,057</u>
Liabilities				
Deposits from customers	5,251,585	—	5,251,127	5,251,127
Deposits and placement of banks and other financial institutions	30,513	—	30,513	30,513
Bills and acceptances payable	7,207	—	7,207	7,207
Other liabilities	57,172	—	57,172	57,172
Total	<u>5,346,477</u>	<u>—</u>	<u>5,346,019</u>	<u>5,346,019</u>

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.

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

33 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Loans and advances

Loans and advances of the Bank comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of expected credit losses, being the reasonable estimate of recoverable amount.

(c) Deposits from customers

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

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

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

(e) Other receivables and other payables

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

(f) Bills and acceptances payable

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

BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 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
2022					
Derivative financial assets	499,641	—	499,641	(304,672)	(157,326)
Derivative financial liabilities	572,345	—	572,345	(304,672)	(157,876)
2021					
Derivative financial assets	97,225	—	97,225	(55,829)	(31,697)
Derivative financial liabilities	118,290	—	118,290	(55,829)	(25,548)

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
(Incorporated in Malaysia)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022
35 INTEREST RATE BENCHMARK REFORM

After December 31, 2021, ICE Benchmark Administration ("IBA") ceased publishing British Pound Sterling ("GBP"), Euro, Swiss Franc, and Japanese Yen (JPY) LIBOR settings and one-week and two month U.S. dollar ("USD") LIBOR settings. However, certain LIBOR settings that became no longer representative are being published using a modified calculation (i.e., on a "synthetic" basis). The remaining USD LIBOR settings (i.e., overnight, one month, three month, six month and 12 month) will cease or become non-representative immediately after June 30, 2023. The Financial Conduct Authority ("FCA") has issued a consultation seeking views on whether to compel publication of the one-month, three-month and six-month USD LIBOR settings on a "synthetic" basis for a short time after June 30, 2023 (i.e., through September 30, 2024). The Bank continues to be part of the BAC-wide transition program with respect to LIBOR and other impacted benchmark rates. The Bank also continues to monitor a variety of market scenarios as part of its transition efforts, including risks associated with insufficient preparation by individual market participants or the overall market ecosystem, ability of market participants to transition away from impacted benchmarks, and access and demand by clients and market participants to liquidity in certain products, including LIBOR products.

The Bank has remediated a significant majority of its notional contractual exposure to LIBOR products referencing USD LIBOR settings that will cease or become non-representative immediately after June 30, 2023 (this is to include fallback provisions to alternative reference rates ("ARRs"), such as the Secured Overnight Financing Rate for USD LIBOR, that are based on market-driven protocols, regulatory guidance, and industry-recommended fallback provisions and related mechanisms). The remaining non-remediated USD LIBOR exposure, a majority of which is made up of derivatives, represents a small minority of outstanding USD LIBOR notional contractual exposure of the Bank and will require active dialogue with clients to modify the contracts. For any residual exposures after 30 June 2023 that continue to have no fallback provisions, the Bank is assessing and planning to leverage relevant contractual and statutory solutions, including the Adjustable Interest Rate (LIBOR) Act, enacted in March 2022 at the federal level in the U.S., and other relevant legislation, to transition such exposure to ARRs. BNM will discontinue the publication of the two- and twelve-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, on 1 January 2023. The remaining one-, three- and six-month KLIBOR tenors, continue to reflect an active underlying market, until a further announcement from BNM on their review.

The Bank will closely monitor the regulators' announcements on Malaysia Overnight Rate ("MYOR") or discontinuation of publication of the KLIBOR for the relevant tenors and continues to engage with industry participants, to ensure an orderly transition to MYOR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with KLIBOR replacement.

As at 31 December 2022, the Bank has exposure to KLIBOR and USD LIBOR on its financial instruments. The following table contains details of the financial instruments that the Bank holds at 31 December 2022 which referenced KLIBOR & USD LIBOR:

	2022			2021		
	Carrying amount/Nominal amount			Carrying amount/Nominal amount		
	MYR	USD	Total	MYR	USD	Total
	KLIBOR	LIBOR		KLIBOR	LIBOR	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial assets	42,814	238,510	281,324	97,088	189,096	286,184
Derivatives assets	9,362,635	131,775	9,494,410	5,567,000	—	5,567,000
Derivatives liabilities	8,253,680	131,775	8,385,455	6,955,000	80,357	7,035,357

36 SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

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

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 March 2023.

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 Dato' Wan Kamaruzaman bin Wan Ahmad, 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 12 to 97 are drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2022 and financial performance of the Bank for the financial year ended 31 December 2022 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 28 March 2023.

RAYMOND YEOH CHENG SEONG
DIRECTOR

DATO' WAN KAMARUZAMAN BIN WAN AHMAD
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 12 to 97 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 28 March 2023, before me.

COMMISSIONER FOR OATHS



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF AMERICA MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration 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 2022, 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 2022, 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 12 to 97.

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.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



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

REPORT ON 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)
Registration 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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers PLT".

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read "Foong Mei Lin".

FOONG MEI LIN
03530/09/2024 J
Chartered Accountant

Kuala Lumpur
28 March 2023