

The image shows the cover page of a document. The top portion is a dark blue rectangle with a white text overlay. The text is arranged in three lines: the company name, the title, and the date. The background of the entire page is white, with a large, abstract blue graphic on the right side that consists of several overlapping, semi-transparent rectangular shapes in various shades of blue, creating a modern, geometric design.

Bank of America Malaysia Berhad

Pillar 3 Disclosures

As at 30 June 2015

Attestation by Chief Executive Officer

This is to certify that Bank of America Malaysia Berhad's Basel II Pillar 3 Disclosures as at 30 June 2015, prepared in accordance with the requirements of Bank Negara Malaysia's Guideline on Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) are accurate, complete and not misleading.



RAYMOND YEOH CHENG SEONG

Chief Executive Officer



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1. Scope of Application

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

The provisions of Malaysian Financial Reporting Standard (“MFRS”) 127 “Consolidated and Separate Financial Statements” and MFRS 128 “Investments in Associates”, issued by the Malaysian Accounting Standards Board (“MASB”) do not apply to the Bank. Hence the disclosures in this report are made for the Bank as a standalone entity.

2. Capital Adequacy

2.1 Capital Management

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

The BAMB Board of Directors (Board), through its various Committees, is overall accountable for the management of risk in BAMB.

The Local Management Team (LMT) is responsible for understanding the nature and level of risk being taken by the BAMB and ensuring that the risk management processes are being carried out appropriately in light of the risk profile and the business plan. The LMT is also responsible for issue escalations to the Board.

In order to meet this responsibility, the Board, LMT and Asset and Liability Committee (ALCO) will utilize the annual ICAAP to assess the adequacy of capital, internal governance and risk management.

The ICAAP process seeks to ensure that the Bank maintains sufficient capital at all times, plans for all future capital requirements and at the same time, maintains adequate governance and monitoring over its material risks. It establishes a framework for the Bank to perform a comprehensive assessment of the risks they face and relate capital to those risks. The capital assessment performed by the Bank is expected to encompass all risks, not just the risks captured by the Basel II Pillar 1 minimum regulatory capital calculations. BAMB has undertaken a Comprehensive Risk Assessment to identify all material risks and ensure adequate capital is held commensurate with such material risks. BAMB has established quantitative and qualitative methodologies to assess each risk to determine its materiality.

The Bank has established an Internal Capital Guideline (IGL) and maintains capital levels in excess of this guideline. The internal buffer over the minimum requirement serves as an early warning signal for management and prompts remediation actions to avoid any capital breach.

2.2 Core Equity Tier I (“CET I”) Capital Ratio, Tier I Capital Ratio and Total Capital Ratio

The total capital and capital adequacy ratios of the Bank are computed in accordance with BNM’s Capital Adequacy Framework (Capital Components and Basel-II Risk-Weighted Assets) guidelines issued on 28 November 2012 and 27 June 2013.

Table 1.1: Capital Ratios

	30.06.2015	31.12.2014
CET I Capital Ratio	32.544 %	37.532 %
Tier I Capital Ratio	32.544 %	37.532 %
Total Capital Ratio	32.620 %	37.617 %

Table 1.2: Minimum Capital Ratios

	CET I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
30.06.2015	4.500 %	6.000 %	8.000 %
31.12.2014	4.000 %	5.500 %	8.000 %

The minimum regulatory capital adequacy requirements stated above have not factored in capital conservation buffer and counter-cyclical buffers which will be phased-in from calendar year 2016 onwards.

2.3 Risk Weighted Assets (“RWA”) and Capital Requirements

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

Key:

^ Exposure at Default (“EAD”)

Credit Risk Mitigation (“CRM”)

* Profit Sharing Investment Account (“PSIA”)

Table 2.1: Exposures as at 30 June 2015

Exposure Class	Gross Exposures/ [^] EAD before [#] CRM	Net Exposures/ [^] EAD after [#] CRM	RWA	RWA absorbed by [*] PSIA	Total RWA after effects of PSIA	Capital Requirements
30.06.2015	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
Credit Risk						
<u>On-Balance Sheet Exposures:</u>						
Sovereigns/Central Banks	787,573	787,573	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	1,128	1,128	1,128	-	1,128	90
Banks, Development Financial Institutions (“DFIs”) & Multilateral Development Banks (“MDBs”)	866,673	866,673	173,335	-	173,335	13,867
Corporates	244,873	244,873	244,497	-	244,497	19,560
Residential Mortgages	451	451	240	-	240	19
Other Assets	17,247	17,247	15,133	-	15,133	1,211
Defaulted Exposures	65	65	62	-	62	5

Exposure Class 30.06.2015	Gross Exposures/ [^] EAD before [#] CRM	Net Exposures/ [^] EAD after [#] CRM	RWA	RWA absorbed by [*] PSIA	Total RWA after effects of PSIA	Capital Requirements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total On-Balance Sheet Exposures	1,918,010	1,918,010	434,395	-	434,395	34,752
<u>Off-Balance Sheet Exposures:</u>						
OTC Derivatives	527,465	527,465	245,133	-	245,133	19,611
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	219,707	219,580	206,241	-	206,241	16,499
Total Off-Balance Sheet Exposures	747,172	747,045	451,374	-	451,374	36,110
Total On and Off-Balance Sheet Exposures	2,665,182	2,665,055	885,769	-	885,769	70,862
Market Risk	Long Position	Short Position				
Foreign currency	50,637	-	50,637	-	50,637	4,051
Interest rate			502,883	-	502,883	40,231
Total Market Risk Exposure			553,520	-	553,520	44,282
Total Operational Risk Exposure			141,018	-	141,018	11,281
Total RWA and Capital Requirements			1,580,307	-	1,580,307	126,425

Table 2.2: Exposures as at 31 December 2014

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

Exposure Class	Gross Exposures/^EAD before ^CRM		Net Exposures/^EAD after ^CRM	RWA	RWA absorbed by ^PSIA	Total RWA after effects of PSIA	Capital Requirements
Total Off-Balance Sheet Exposures	562,316		561,991	336,242	-	336,242	26,899
Total On and Off-Balance Sheet Exposures	2,482,196		2,481,871	752,668	-	752,668	60,214
Market Risk	Long Position	Short Position					
Foreign currency	2,497	31,970		31,970	-	31,970	2,558
Interest rate				455,329	-	455,329	36,426
Total Market Risk Exposure				487,299	-	487,299	38,984
Total Operational Risk Exposure				130,218	-	130,218	10,417
Total RWA and Capital Requirements				1,370,185	-	1,370,185	109,615

3. Capital Structure

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

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

There is no obligation to pay dividend to ordinary shareholders. No dividend has been paid or proposed for the financial half-year ending 30 June 2015.

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

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

Table 3.1: Components of Capital

	30.06.2015	31.12.2014
	RM'000	RM'000
CET I Capital		
Share Capital	135,800	135,800
Retained Profits	245,728	245,728
Other Disclosed Reserves:		
Statutory Reserves	132,898	132,898
Unrealised gains and losses on available-for-sale financial instruments	1,033	1,033
	515,459	515,459
Less: Regulatory Adjustments		
Deferred Tax Assets	(589)	(626)
55% of Cumulative Gains of Available-For-Sale Financial Instruments	(569)	(569)
Total CET I and Tier I Capital	514,301	514,264

	30.06.2015 RM'000	31.12.2014 RM'000
Tier II Capital		
Collective Assessment Allowance*	1,199	1,157
Total Capital	515,500	515,421

* Excludes collective assessment allowance on impaired loans restricted from Tier II Capital of BAMB RM20,215 (2014: RM18,909).

4. Risk Management

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

The following lays out BAMB’s risk management framework, risk taking capacity and risk management processes:

4.1 BAMB’s Risk Management Framework

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

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

4.1.1 BAMB Risk Taking Capacity

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

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

Governance Processes and Controls

Approval

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

Monitoring

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

Exceptions

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

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

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

4.1.2 Risk Management Structure

All BAMB employees are responsible for the below risk management:

- **Businesses:** Business managers and associates are accountable for identifying and managing all risks in their business units, including existing and emerging risks. Business managers must ensure that their business activities are conducted within BAMB's Risk Taking Capacity Document. BAMB risk teams are responsible for establishing policies, limits, standards, controls, metrics and thresholds within the defined corporate standards.
- **Governance & Control:** The BAMB Risk teams, including the CRO, Credit Risk and Market Risk, are independent from the Businesses, and maintain sufficient autonomy to develop and implement meaningful risk management measures. Corporate Operational Risk, Enterprise Credit Risk Vendor Risk Management, Enterprise Stress Testing and Global Recovery and Resolution Planning are responsible for setting and establishing enterprise policies, programs and standards, assessing program adherence, providing enterprise-level risk oversight, reporting and monitoring for systemic and emerging risk issues. In addition,

the BAMB risk teams are responsible for monitoring and ensuring risk limits within their function are reasonable and consistent with the BAMB's Risk Taking Capacity.

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

Oversight of BAMB's Board and Senior Management: BAMB's Board and Senior Management have responsibility for overseeing and managing all risks faced by BAMB. Management of risks relevant to BAMB is accomplished through the Risk Framework, Risk Taking Capacity, ongoing reporting and monitoring, and approved policies, procedures and guidelines. Senior management is well qualified and has significant experience in the industry.

4.1.3 Risk Management Process

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

- **Identify:** To be effectively managed, risks must be clearly defined and proactively identified. Proper risk identification focuses on recognizing and understanding all key risks inherent in our business activities and risks that may arise from business initiatives or external factors. Risk identification is an ongoing process occurring at both the individual transaction and portfolio level. Each employee is expected to identify and escalate risks promptly.
- **Measure:** Once a risk is identified, it must be accurately measured. Risk is measured at various levels including, but not limited to, risk type, front line unit, legal entity and on an aggregate basis. These metrics help us assess our risk profile and adherence to our risk appetite.
- **Monitor:** We monitor risk levels regularly to track adherence to risk appetites, policies, standards, procedures and processes. Through our monitoring, we know our level of risk relative to limits and can take action in a timely manner. We also know when risk limits are breached and have processes to appropriately report and escalate exceptions.
- **Control:** We establish and communicate risk limits and controls through policies, standards, procedures and processes that define responsibility and authority for risk-taking. The limits and controls can be adjusted by the boards or management when conditions or risk tolerances warrant. Our lines of business are held accountable to perform within the established limits.

4.2 Credit Risk

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

Credit Risk Officers perform due diligence comprising analysis of credit risk and preparation of approval memorandum including Risk Rating, identification of Sources of Repayment and Credit Risks, recommendation of facilities (including traded products with potential credit exposures) with required terms and conditions.

Credit approvals are provided in line with the applicable Corporate or Financial Institution credit approval grid. The onshore Counterparty Credit Risk (CCR) or Financial Institution Credit Risk (FICR) officers have delegated authorities as BAMB credit risk approvers. While escalation of approvals may occur to regional or global officers, all credit actions require sign-off from the onshore BAMB CCR or FICR officer as well, without which these credit actions are not considered approved.

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

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

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

Credit Risk Taking Capacity

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

BAMB's credit portfolio as of 30 June 2015 primarily comprises exposure to the Government of Malaysia, large local and foreign commercial banks operating in Malaysia, and the Malaysian subsidiaries of MNCs.

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

Credit Concentration Risk

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

Credit Portfolio Management

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

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

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

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

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

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

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

Past Due Loans, Advances and Financing

The Bank considers a loan/financing to be past due when the principal or interest payment is past due for longer than 90 days.

Impaired Loans, Advances and Financing

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

The Bank may classify a loan/financing as impaired when any of the following criteria is met:

- the principal or interest or both is past due for 3 months or more;
- the amount outstanding has been in excess of the approved limit for 3 months or more;

- where the amount is past due, or amount outstanding has been in excess of the approved limit for less than 3 months, the loan/financing exhibits weaknesses that render a classification appropriate according to the Bank's credit risk grading framework; or
- where repayments are scheduled on intervals of 3 months or longer, as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's credit risk grading framework.

Individual and Collective Impairment Provisions

- The Bank first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant.
- If the Bank determines that no objective evidence of impairment exists for an individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.
- If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and advances' carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. If the loans and advances have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
- For the purposes of a collective evaluation of impairment, loans and advances are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.
- Future cash flows in a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.
- The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.
- If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.
- When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4.2.1 Breakdown of Gross Credit Exposures

(a) By Geographical Distribution

Table 4.1: Exposures by Geographical Distribution

Category	Malaysia	United States	Singapore	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015						
Sovereign/Central Banks	787,573	-	-	-	-	787,573
Insurance Cos, Securities Firms & Fund Managers	19,629	-	-	-	-	19,629
Banks, DFIs, and MDBs	1,297,846	47,551	4,035	16,262	2,101	1,367,795
Corporates	472,223	12	-	-	172	472,407
Residential Mortgages	459	-	-	-	-	459
Other Assets	17,247	-	-	-	-	17,247
Defaulted Exposures	72	-	-	-	-	72
Total as at 30 June 2015	2,595,049	47,563	4,035	16,262	2,273	2,665,182
31.12.2014						
Sovereign/Central Banks	876,553	-	-	-	-	876,553
Insurance Cos, Securities Firms & Fund Managers	19,604	-	-	-	-	19,604
Banks, DFIs, and MDBs	810,163	51,426	284,200	3,556	1,755	1,151,100
Corporates	406,127	-	-	-	201	406,328
Residential Mortgages	537	-	-	-	-	537
Other Assets	27,996	-	-	-	-	27,996
Defaulted Exposures	78	-	-	-	-	78
Total as at 31 December 2014	2,141,058	51,426	284,200	3,556	1,956	2,482,196

Bank of America Malaysia Berhad

Pillar 3 Disclosures

**Bank of America
Merrill Lynch**

(b) By Sector Distribution

Table 4.2: Exposures by Sector Distribution

Category	Finance, Insurance and Business Services	Government & Government Agencies	Manufacturing	General Commerce	Mining & Quarrying	Construction	Education, Health and Others	Purchase of Residential Landed Property, Securities, and Transport Vehicles	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015										
Sovereign/Central Banks	-	787,573	-	-	-	-	-	-	-	787,573
Insurance Cos, Securities Firms & Fund Managers	19,629	-	-	-	-	-	-	-	-	19,629
Banks, DFIs, and MDBs	1,367,795	-	-	-	-	-	-	-	-	1,367,795
Corporates	67,322	1,590	256,167	82,879	19,378	4,803	40,268	-	-	472,407
Residential Mortgages	-	-	-	-	-	-	-	459	-	459
Other Assets	15,851	-	-	-	-	-	-	1,321	75	17,247
Defaulted Exposures	-	-	-	-	-	-	-	72	-	72
Total as at 30 June 2015	1,470,597	789,163	256,167	82,879	19,378	4,803	40,268	1,852	75	2,665,182
31.12.2014										
Sovereign/Central Banks	-	876,553	-	-	-	-	-	-	-	876,553
Insurance Cos, Securities Firms & Fund Managers	19,604	-	-	-	-	-	-	-	-	19,604
Banks, DFIs, and MDBs	1,151,100	-	-	-	-	-	-	-	-	1,151,100
Corporates	50,219	1,590	214,164	79,516	12,818	3,597	44,424	-	-	406,328
Residential Mortgages	-	-	-	-	-	-	-	537	-	537
Other Assets	26,536	-	-	-	-	-	-	1,400	60	27,996
Defaulted Exposures	-	-	-	-	-	-	-	78	-	78
Total as at 31 December 2014	1,247,459	878,143	214,164	79,516	12,818	3,597	44,424	2,015	60	2,482,196

(c) By Residual Maturity

Table 4.3: Exposures by Residual Maturity

Category	Up to 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
	RM'000	RM'000	RM'000	RM'000
30.06.2015				
Sovereign/Central Banks	787,185	373	15	787,573
Insurance Cos, Securities Firms & Fund Managers	5,498	14,131	-	19,629
Banks, DFIs, and MDBs	1,100,906	250,188	16,701	1,367,795
Corporates	453,339	19,068	-	472,407
Residential Mortgages	40	153	266	459
Other Assets	16,371	361	515	17,247
Defaulted Exposures	1	44	27	72
Total as at 30 June 2015	2,363,340	284,318	17,524	2,665,182
31.12.2014				
Sovereign/Central Banks	875,989	549	15	876,553
Insurance Cos, Securities Firms & Fund Managers	18,043	1,561	-	19,604
Banks, DFIs, and MDBs	931,919	213,497	5,684	1,151,100
Corporates	377,541	28,787	-	406,328
Residential Mortgages	65	192	280	537
Other Assets	26,576	268	1,152	27,996
Defaulted Exposures	-	49	29	78
Total as at 31 December 2014	2,230,133	244,903	7,160	2,482,196

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

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

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

	30.06.2015	31.12.2014
	RM'000	RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	243	278
Total Gross Impaired Loans, Advances and Financing	243	278
Gross Impaired Loans as a % of Gross Loans, Advances and Financing	0.10%	0.12%

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

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

	30.06.2015	31.12.2014
	RM'000	RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	141	133
Total Gross Loans, Advances and Financing Past Due by Not Impaired	141	133

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

Table 5.3: Individual Assessment Allowance by Sector and Geographical Area

	30.06.2015	31.12.2014
	RM'000	RM'000
Malaysia		
Purchase of Residential Landed Property, Securities and Transport Vehicles	177	205
Total Individual Assessment Allowance	177	205

Table 5.4: Collective Assessment Allowance by Sector and Geographical Area

Category	Malaysia	Total
	RM'000	RM'000
30.06.2015		
Finance, Insurance and Business Services	329	329
General Commerce	742	742
Manufacturing	74	74
Education, Health and Others	51	51
Construction	1	1
Purchase of Residential Landed Property, Securities and Transport Vehicles	22	22
Total Collective Assessment Allowance as at 30 June 2015	1,219	1,219
31.12.2014		
Finance, Insurance and Business Services	289	289
General Commerce	772	772
Manufacturing	91	91
Mining & Quarrying	1	1
Government & Government Agencies	2	2
Purchase of Residential Landed Property, Securities and Transport Vehicles	21	21
Total Collective Assessment Allowance as at 31 December 2014	1,176	1,176

(d) Movement in Individual Assessment Allowance by Sector

Table 5.5: Movement in Individual Assessment Allowance by Sector

	Purchase of Residential Landed Property, Securities and Transport Vehicles	Total
	RM'000	RM'000
In Malaysia		
At 1 January 2015	205	205
Amount No Longer Required, Written Back	(28)	(28)
At 30 June 2015	177	177
In Malaysia		
At 1 January 2014	831	831
Allowance Made	52	52
Amount No Longer Required, Written Back	(678)	(678)
At 31 December 2014	205	205

(e) Reconciliation of Changes in Loan Impairment Provisions

Table 5.6: Reconciliation of Changes in Loan Impairment Provisions

	30.06.2015	31.12.2014
	RM'000	RM'000
Individual Assessment Allowance		
Opening Balance	205	831
Allowance Made During the period	-	52
Write Back Made During the period	(28)	(678)
Closing Balance	177	205
Collective Assessment Allowance		
Opening Balance	1,176	329
Allowance Made During the period	43	847
Closing Balance	1,219	1,176

4.2.3 Standardised Approach to Credit Risk

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

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

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

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

Table 6.1: Rating Categories of Sovereigns / Central Banks

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

Table 6.2: Rating Categories of Banking Institutions

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

Table 6.3: Rating Categories of Corporates / Insurance Cos, Securities Firms & Fund Managers

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

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

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

(a) Breakdown of Credit Risk Exposures by Risk Weights

Table 6.4: Exposures by Risk Weights

Risk Weights	Exposures After Netting and Credit Risk Mitigation (RM'000)							
	Sovereigns/ Central Banks	Insurance Cos, Securities Firm & Fund Managers	Banks, DFIs & MDBs	Corporates	Residential Mortgages	Other Assets	Total Exposures After Netting and Credit Risk Mitigation	Total RWA
30.06.2015								
0%	787,573	-	-	-	-	2,113	789,686	-
20%	-	-	1,017,927	-	-	-	1,017,927	203,585
35%	-	-	-	-	250	-	250	88
50%	-	-	349,271	804	13	-	350,088	175,044
75%	-	-	-	-	209	-	209	157
100%	-	19,629	597	471,476	59	15,134	506,895	506,895
Total as at 30 June 2015	787,573	19,629	1,367,795	472,280	531	17,247	2,665,055	885,769
RWA by Exposure	-	19,629	378,818	471,878	310	15,134	-	885,769
Average Risk Weight	0.00%	100.00%	27.70%	99.91%	58.38%	87.75%	-	33.24%
Deduction from Capital Base	-	-	-	-	-	-	-	-
31.12.2014								
0%	876,553	-	-	-	-	3,221	879,774	-
20%	-	-	912,010	-	-	-	912,010	182,402
35%	-	-	-	-	317	-	317	111
50%	-	-	239,090	-	30	-	239,120	119,560
75%	-	-	-	-	220	-	220	165
100%	-	19,604	-	406,003	48	24,775	450,430	450,430
Total as at 31 December 2014	876,553	19,604	1,151,100	406,003	615	27,996	2,481,871	752,668
RWA by Exposure	-	19,604	301,947	406,003	339	24,775	-	752,668
Average Risk Weight	0.00%	100.00%	26.23%	100.00%	55.12%	88.49%	-	30.33%
Deduction from Capital Base	-	-	-	-	-	-	-	-

(b) Breakdown of Credit Risk Exposures by ECAI Ratings

Table 6.5: Sovereigns / Central Bank Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	Total	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015	787,573	787,573	-	-	-	-	-
31.12.2014	876,553	876,553	-	-	-	-	-

Table 6.6: Insurance Cos, Securities Firms & Fund Managers Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	
	Total	1	2	3	4	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015	19,629	-	-	-	-	19,629
31.12.2014	19,604	-	-	-	-	19,604

Table 6.7: Banks, DFIs and MDBs Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	
	Total	1	2	3	4	5	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015	1,367,795	413,516	790,965	86,269	598	-	76,447
31.12.2014	1,151,100	143,593	951,600	55,632	-	-	275

Table 6.8: Corporate Exposures by ECAI Ratings

	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Moody's	AAA to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B1 to D	
	Total	1	2	3	4	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30.06.2015	472,407	-	-	1,590	-	470,817
31.12.2014	406,328	-	-	1,590	-	404,738

4.2.4 Credit Risk Mitigation

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

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

On and Off-Balance Sheet Netting

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

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

The Bank has not employed on or off-balance sheet netting to mitigate its credit exposures as of 30 June 2015.

Collateralised Transactions

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

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

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

Collateral qualifies as CRM for regulatory capital purposes if:-

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

Guarantees and Credit Default Protection

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

As at 30 June 2015, the Bank had not entered into any credit derivative transactions for credit default protection.

Risk Concentrations

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

There is no material concentration of credit risk mitigation held as at 30 June 2015.

Credit Risk Mitigation under Comprehensive Approach

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

Table 7.1: Credit Risk Mitigation as at 30 June 2015

Credit Risk Exposures 30.06.2015	Gross Exposures/ [^] EAD before [#] CRM	Exposures Covered by Guarantees	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	787,573	-	-	-
Insurance Cos, Securities Firms & Fund Managers	1,128	-	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")	866,673	-	-	-
Corporates	244,873	-	-	-
Residential Mortgages	451	-	-	-
Other Assets	17,247	-	-	-
Defaulted Exposures	65	-	-	-
Total On-Balance Sheet Exposures	1,918,010	-	-	-
Off-Balance Sheet Exposures:				
OTC Derivatives	527,465	-	-	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	219,707	-	127	-
Total Off-Balance Sheet Exposures	747,172	-	127	-
Total On and Off-Balance Sheet Exposures	2,665,182	-	127	-

Table 7.2: Credit Risk Mitigation as at 31 December 2014

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

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

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

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

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

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

Collateral for Traded Products

Collateralisation is one of the key credit risk mitigation techniques available in the privately negotiated OTC Derivatives market. When facing derivative counterparties, the Bank, in appropriate circumstances, enters into

collateral arrangements which provide the Bank, in the event of a customer default, the right to liquidate collateral. The Bank also monitors the fair market value of the underlying securities used as collateral, including accrued interest, and, as necessary, requests additional collateral to ensure that the relevant transactions are adequately collateralized.

Collateral Reserves and Credit Ratings Downgrade

As at 30 June 2015, the Bank only accepts or post cash deposits as collateral to derivatives transactions, and does not hold or post any securities as collateral. There is no implication to the collateral value to be posted in the event of credit ratings downgrade, and as such no credit reserves are created for exposures which are secured in such manner.

Table 8.1: Off-Balance Sheet Exposures

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	RWA
Off-Balance Sheet Exposures	RM'000	RM'000	RM'000	RM'000
30.06.2015				
Direct Credit Substitutes ¹	60,442	-	60,442	51,242
Transaction Related Contingent Items ²	118,263	-	59,132	54,898
Short Term Self Liquidating Trade-Related Contingencies ³	3,744	-	749	749
<u>Foreign Exchange Related Contracts</u>				
One Year or Less	7,464,499	111,619	226,241	109,225
Over One Year to Five Years	601,291	10,479	36,962	23,937
<u>Interest/Profit Related Contracts</u>				
One Year or Less	2,421,175	20,360	29,577	14,338
Over One Year to Five Years	7,678,671	11,202	217,984	89,890
Over Five Years	162,500	2,376	16,701	7,743
Other commitments such as formal standby facilities and credit lines, with an original maturity of up to one year	496,848	-	99,369	99,345
Other commitments such as formal standby facilities and credit lines, with an original maturity of over one year	30	-	15	7
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,017	-	-	-
Total as at 30 June 2015	19,008,480	156,036	747,172	451,374
31.12.2014				
Direct Credit Substitutes ¹	100,350	-	100,350	86,982
Transaction Related Contingent Items ²	46,977	-	23,489	18,222
Short Term Self Liquidating Trade-Related Contingencies ³	590	-	118	118
<u>Foreign Exchange Related Contracts</u>				
One Year or Less	3,129,902	70,570	120,492	53,649
Over One Year to Five Years	80,852	2,716	7,053	4,990
<u>Interest/Profit Related Contracts</u>				
One Year or Less	5,007,840	5,363	16,115	6,549
Over One Year to Five Years	7,882,760	11,718	203,644	78,744
Over Five Years	54,000	825	5,685	2,134
Other commitments such as formal standby facilities and credit lines, with an original maturity of up to one year	426,774	-	85,355	84,845
Other commitments such as formal standby facilities and credit lines, with an original maturity of over one year	30	-	15	9

Off-Balance Sheet Exposures	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	RWA
	RM'000	RM'000	RM'000	RM'000
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,013	-	-	-
Total as at 31 December 2014	16,731,088	91,192	562,316	336,242

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

Key:

¹ Financial Guarantees

² Performance Guarantees

³ Documentary Credits & Letters of Credits

4.3 Market Risk

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

4.3.1 Market Risk Management Architecture, Measurements and Controls

At the core of BAMB's market risk approach are assessing key exposures, setting and monitoring limits where Market Risk Management function operates independently of the business to maintain objectivity. Its responsibilities include the overall measurement and monitoring of market risk.

The key market risk exposures are assessed at both specific and aggregate levels. At specific level, market risk sensitivities are assessed by evaluating the impact of individual risk factors such as interest rates and foreign exchange.

4.3.2 Oversight of Senior Management

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

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

Table 9.1: RWA and Capital Requirements for Market Risk

	30.06.2015	31.12.2014
	RM'000	RM'000
Total RWA for Market Risk	553,520	487,299
Capital Required for Market Risk	44,282	38,984
<u>Minimum Capital Requirement at 8% for:</u>		
Foreign Exchange Risk	4,051	2,558
Interest Rate Risk	40,231	36,426

4.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. BAMB classifies Operational Risk using the Basel II Categories and definitions as follows: Internal Fraud, External Fraud, Employment Practices and Workplace Safety, Clients, Products, and Business Practices, Damage to Physical Assets, Business Disruption and System Failures, Execution, Delivery, and Process Management. Operational risk in BAMB resides in every business activity that it undertakes, from lending to transaction processing to trading.

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

Operational Risk Capital

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

Governance of Operational Risk

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

Roles Accountabilities and Process Owners

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

4.4.1 Local Operational Risk Management Framework

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

Examples of these include data reconciliation processes, fraud prevention, transaction processing monitoring and analysis and business recovery planning.

4.5 Equity Exposures in the Banking Book

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

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

(a) Equity Investments by Type

Table 10.1: Holdings of Equity Investments by Type

	30.06.2015		31.12.2014	
	Gross Credit Exposure	Risk Weighted Assets	Gross Credit Exposure	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Privately Held Shares for Socio-Economic Purpose	2,980	2,980	2,980	2,980

(b) Cumulative Realised Gains/(Losses)

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

	30.06.2015	31.12.2014
	RM'000	RM'000
Realised gains recognised in profit and loss		
Privately Held Shares for Socio-Economic Purpose	-	-

(c) Unrealised Gains/(Losses)

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

	30.06.2015	31.12.2014
	RM'000	RM'000
Recognised in Other Comprehensive Income		
Privately Held Shares for Socio-Economic Purpose	-	-

4.6 Interest Rate Risk / Rate of Return in the Banking Book (“IRRBB”)

IRRBB represents exposure to adverse movements in interest rates. When this risk grows to be excessive, a significant threat is posed to both earnings and the value of equity.

Customer accounts are working capital accounts and are on-demand. BAMB does not have any proprietary trading limits or positions. Funding, as well as hedging of interest rate risk, is provided by International Treasury.

Table 11.1: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 30 June 2015

	Impact on Positions as at 30 June 2015	
	100 basis points (Parallel Shift)	
	Earnings-at-risk	Economic Value Loss
	RM'000	RM'000
Type of Currency		
MYR	6,703	(817)
USD	6,867	(4,979)
Total	13,570	(5,796)

Table 11.2: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2014

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

Roles Accountabilities and Process Owners

BAMB manages its IRRBB on a centralized basis in order to remove this control function from individual Businesses. IRRBB management activities are subject to Corporate Treasury market risks limits that are monitored by CFO Risk in Asia and BAMB Market Risk Manager, which follows the same principle as describes in Section 4.3 and governance per CFO Risk Committee and endorsed by ALCO.

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