

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

0047A1/ii

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

CONTENTS	PAGE(S)
Report of the Directors	1 - 8
Shariah Committee's Report	9 - 10
Independent Auditors' Report to the Member of BNP Paribas Malaysia Berhad	11 - 14
Statement of Financial Position	15
Statement of Comprehensive Income	16
Statement of Changes in Equity	17
Statement of Cash Flows	18 - 20
Notes to the Financial Statements	21 - 139
Statement by Directors	140
Statutory Declaration	141

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The Directors hereby submit their report and the audited financial statements of the Bank for the financial year ended 31 December 2020.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato Abdullah Mat Noh
Halim Bin Haji Din (retired on 22.03.2020)
Jean-Pierre Roger Beno Bernard
Yves Maurice Guy Marie Drieux
Chia Seng Leng
Wahid Ali Mohd Khalil
Joris Maria A. Dierckx
Vijayam Nadarajah
Faisal bin Ismail (appointed on 1.10.2020)
Dato' Mohamed Khadar Bin Merican (appointed on 1.03.2021)

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking related financial services and Islamic banking business.

There have been no significant changes in the nature of the principal activities of the Bank during the financial year.

FINANCIAL RESULTS

The results of operations of the Bank for the financial year are as follows:

	RM'000
Profit before tax	118,234
Income tax expense	(28,993)
Profit for the year	<u>89,241</u>

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.

ISSUE OF SHARES AND DEBENTURES

During the financial year, there was no issuance of new ordinary shares or debentures.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

EVENT SIGNIFICANT TO THE BALANCE SHEET DATE

Event significant to the balance sheet date is disclosed in Note 34 of the financial statements.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Event subsequent to the balance sheet date is disclosed in Note 35 of the financial statements.

DIRECTORS' FEES AND BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' remuneration in Note 23 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a company of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, as disclosed in this report.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

Since the end of the previous financial year, no Director has held shares or had beneficial interest in the shares of the Bank. Under the Bank's Articles of Association, the Directors are not required to hold any shares in the Bank.

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Bank or its holding company or subsidiaries of the holding company during the financial year except as follows:

	<u>No. of ordinary shares of EUR2 each</u>			
	<u>As at</u> <u>1.1.2020</u>	<u>Acquired</u>	<u>Disposed</u>	<u>As at</u> <u>31.12.2020</u>
<u>Shares in the ultimate holding</u> <u>company, BNP Paribas S.A.</u>				
Jean-Pierre Roger Beno Bernard	6,196	-	-	6,196
Chia Seng Leng	3,450	-	-	3,450

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

				No. of shares
	Balance			Balance
	as of	Granted	Disposed	as of
	<u>1.1.2020</u>			<u>31.12.2020</u>
<u>Rights to shares in the ultimate holding company, BNP Paribas S. A.</u>				

Yves Maurice Guy Marie Drieux	292	-	(292)	-
-------------------------------	-----	---	-------	---

				No. of units
	Balance			Balance
	as of	Granted	Disposed	as of
	<u>1.1.2020</u>			<u>31.12.2020</u>
<u>Units in Corporate Mutual Fund in the ultimate holding company, BNP Paribas S. A.</u>				

Chia Seng Leng	1,020	-	-	1,020
----------------	-------	---	---	-------

By virtue of the above Directors' interest in the ultimate holding company as detailed in the table above, they are deemed to have an interest in the Bank and of its related companies to the extent the ultimate holding company has interest.

Other than as disclosed above, none of the other Directors have any interest in the shares of related companies during and as at the end of the financial year.

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year. The Directors do not recommend and declared any dividend payment in respect of the current financial year.

HOLDING COMPANY

The Directors regard BNP Paribas S.A., a financial institution incorporated in France, as the immediate and ultimate holding company of the Bank.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As of the end of the financial year, there were no unissued shares of the Bank under options.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, Directors and Officers of the Bank are covered under the Directors' and Officers' Liability Insurance Group Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Bank, subject to the terms of the policy. The total amount of Directors' and Officers' liability insurance premium effected for the Directors and Officers of the Bank are RM8,304 (2019: RM8,386).

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with including those as set out in policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions.

OTHER STATUTORY INFORMATION

- a. Before the financial statements of the Bank were prepared, the Directors took reasonable steps:
 - i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for impairment, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - ii. to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Bank had been written down to an amount which the current assets might be expected so to realise.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

- b. At the date of this Report, the Directors are not aware of any circumstances:
- i. which would render the amount written off for bad debts or the amount of the provision for impairment in the financial statements of the Bank inadequate to any substantial extent; or
 - ii. which would render the values attributed to current assets in the financial statements of the Bank misleading; or
 - iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.
- c. At the date of this Report:
- i. there are no charges on the assets of the Bank which have arisen since the end of the financial year to secure the liability of any other person; and
 - ii. there are no contingent liabilities in respect of the Bank which have arisen since the end of the financial year other than those incurred in the normal course of business of the Bank.
- d. No contingent or other liability of the Bank has become enforceable or is likely to become enforceable within the period of twelve 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 their obligations as and when they fall due.
- e. 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.
- f. In the opinion of the Directors:
- i. 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
 - ii. 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.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 23 to the financial statements.

STATEMENT ON CORPORATE GOVERNANCE

The statement forms an Appendix in the Directors' Report and is in a separate document.

BUSINESS PLAN AND OUTLOOK FOR THE NEXT FINANCIAL YEAR

Business Strategy for the financial year ended 31 December 2020

Malaysia's Gross Domestic Product ('GDP') declined 5.6% in 2020 as a result of the COVID-19 pandemic. The Movement Control Order in different phases and its subsequent extension have had a severe impact on the country's economic output, affecting consumer demand.

With no clear certainty, the global pandemic is causing an unprecedented strain to economies worldwide with record level unemployment rates. The global economic recovery hinges on the ability to contain the pandemic and the respective countries' preparation in its transition to the post-pandemic world.

Amidst the challenging times, the Bank has further emphasised focus on its customers' needs while also safeguarding the well-being of its employees, ensuring operational continuity.

The Bank registered profit after tax of RM89.2 million compared to RM60.1 million in 2019. The strong performance was mainly contributed by Global Markets business. Despite the drop in OPR and loans growth, net interest income recorded a growth of 8.4% mainly due to lower funding cost. As a result, Net Interest Margin was at 2.20%. Operating expenses was marginally higher at RM105.1mio; 2.2% higher than previous year mainly due to higher personnel cost.

Total assets as at 31 December 2020 stood at RM6.6 billion, RM2.4 billion higher than prior year. The increase was contributed by Global Market activities and corporate lending activities.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)

BUSINESS PLAN AND OUTLOOK FOR THE NEXT FINANCIAL YEAR (CONTINUED)

Outlook 2021

The country's Gross Domestic Product ('GDP') is expected to recover by 6.5%-7.5% in 2021, in-line with IMF, World Bank and Ministry of Finance's projection.

While the government remain cautiously optimistic in managing future economic challenges during this period of uncertainty, Malaysia possesses a fundamentally sound financial system, which has proven to be resilient through challenging times.

The implementation of several short and medium term measures were targeted to reduce unemployment and ensuring the continuity of specific sectors, with longer term measures to lay the foundation for future growth.

The Government's effort in improving the economy generally hinges on global demand, public and private sector expenditure, supported by a competitive interest rate environment.

In the light of these uncertainties, the Bank aims to continuously improve and provide the best level of service and support to its customers during this challenging period.

RATINGS BY AN EXTERNAL RATING AGENCY

<u>Rating Agency</u>	<u>Date of rating</u>	<u>Rating Received</u>
Rating Agency Malaysia ('RAM')	01 Oct 2020	Long Term – AA2 Short Term – P1 Outlook - Stable

Rating classification description

RAM has reaffirmed BNP Paribas Malaysia Berhad's AA2/Stable/P1 financial institution ratings. The Bank's ratings reflect the ready parental support from BNP Paribas S.A. (the Group), if needed, while also leveraging on its parent's global franchise, international network and technical expertise. BNP Paribas S.A. is one of the world's largest financial institutions and among the globally systemically important banks identified by the Financial Stability Board.

Registration No.

201001034168 (918091-T)

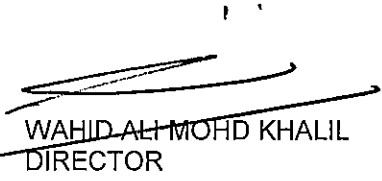
BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS (CONTINUED)


AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 18 March 2021. Signed on behalf of the Board of Directors:



WAHID ALI MOHD KHALIL
DIRECTOR



DATO ABDULLAH MAT NOH
DIRECTOR

Kuala Lumpur
18 March 2021

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In line with the regulatory requirement, this report served as a disclosure on Shariah Governance policies and practices, which includes the following:-

Shariah Committee's Responsibility

The Shariah Committee is an independent oversight function as required by Bank Negara Malaysia ('BNM') and the Islamic Financial Services Act 2013 ('IFSA 2013').

We have the responsibility to provide objective and sound advice to BNP Paribas Malaysia Berhad ("the Bank") to ensure that its aims and operations, business, affairs and activities comply with the Shariah. We are accountable for the quality, accuracy and soundness of our own decision or advice. We understand that the Board have institutionalised a robust Shariah governance framework to ensure its oversight accountability over Shariah governance and compliance reflect the integration of Shariah governance considerations within the business and risk strategies.

In line with our responsibility, we have endorsed internal controls to ensure the operations of Islamic Banking Window of the Bank comply with Shariah. We have conducted our deliberation in accordance with the regulations issued by BNM and Securities Commission of Malaysia. The regulations require that we comply with ethical requirements and to plan and perform the deliberation to obtain reasonable assurance about the state of Shariah compliance of the Bank.

Opinion on the State of Bank's Shariah Compliance

During the financial year ended 31 December 2020, we have reviewed:

1. The principles and contracts relating to the transactions and applications introduced by the Bank; and
2. The products, processes, procedures, activities, transactional documents and contracts entered into and/or offered by the Bank.

For the purpose of these reviews, we have assessed the works carried out by the Shariah Compliance Review, Shariah Audit and Operational Permanent Control review functions, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah rules and principles. We note that the reviews and audit carried out by these functions, were planned and involved assessment based on the relevant test sampling for each type of transactions, the relevant documentations and procedures adopted by the Bank.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT (CONTINUED)

Opinion on the State of Bank's Shariah Compliance (continued)

In our opinion, for the financial year ended 31 December 2020, nothing has come to the Shariah Committee's attention that causes the Shariah Committee to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances.

We, the members of Shariah Committee of the Bank, to the best of our knowledge, have obtained sufficient and appropriate evidence to form Shariah compliant opinion that all Shariah advice issued by us comply with the ruling of the Shariah Advisory Council of BNM and Securities Commission of Malaysia during the financial year.



Muhammad Ali Jinnah Bin Ahmad
(Chairman)



Mazrul Shahir Bin Md Zuki
(Member)



Dr Sa'id Adékunle Mikail
(Member)



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)
Registration No. 201001034168 (918091-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 139.

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 Report of the Directors and Shariah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon.



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BNP PARIBAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001034168 (918091-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BNP PARIBAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001034168 (918091-T)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
BNP PARIBAS MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 201001034168 (918091-T)

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 that reads 'Pricewaterhousecoopers PLT'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
18 March 2021

A handwritten signature in black ink that reads 'ONG CHING CHUAN'.

ONG CHING CHUAN
02907/11/2021 J
Chartered Accountant

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
ASSETS			
Cash and short-term funds	5	1,072,884	1,431,636
Reverse repurchase agreements		974,678	-
Financial assets at fair value through profit or loss ("FVTPL")	6	413,967	100,233
Financial investments at fair value through other comprehensive income ("FVOCI")	7	1,335,231	957,509
Loans, advances and financing	8	1,338,407	1,189,887
Derivative financial assets	9	1,296,293	459,442
Other assets	10	195,077	29,072
Property, plant and equipment	11	7,532	9,705
Intangible assets	12	24	910
Tax recoverable		7,717	13,959
Deferred tax assets	13	3,416	3,721
TOTAL ASSETS		<u><u>6,645,226</u></u>	<u><u>4,196,074</u></u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	14	2,300,820	1,638,737
Deposits and placements of banks and other financial institutions	15	840,883	940,422
Repurchase agreements		285,353	-
Derivative financial liabilities	9	1,111,173	431,077
Other liabilities	16	1,226,532	399,550
TOTAL LIABILITIES		<u><u>5,764,761</u></u>	<u><u>3,409,786</u></u>
Share capital	17	650,000	650,000
Retained profits		223,911	125,086
Reserves	18	6,554	11,202
SHAREHOLDER'S EQUITY		<u><u>880,465</u></u>	<u><u>786,288</u></u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u><u>6,645,226</u></u>	<u><u>4,196,074</u></u>
COMMITMENTS AND CONTINGENCIES	29	<u><u>98,187,436</u></u>	<u><u>90,352,648</u></u>

The accompanying Notes form an integral part of the Financial Statements.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
Interest income	20	123,293	143,668
Interest income for financial assets at FVTPL	20	25,543	36,434
Interest expense	21	(31,178)	(71,558)
		<hr/>	<hr/>
Net interest income		117,658	108,544
Net income from Islamic banking business	33	344	424
		<hr/>	<hr/>
Other operating income	22	118,002	108,968
Other operating expenses	23	102,786	81,511
Expected credit losses	24	(105,117)	(102,821)
		<hr/>	<hr/>
Profit before tax		2,563	(6,163)
Income tax expense	25	118,234	81,495
		<hr/>	<hr/>
Profit for the year		(28,993)	(21,388)
		<hr/>	<hr/>
		89,241	60,107
		<hr/> <hr/>	<hr/> <hr/>
 Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income			
• Net changes in fair value		4,936	1,520
		<hr/>	<hr/>
Other comprehensive income		4,936	1,520
		<hr/>	<hr/>
Total comprehensive income		94,177	61,627
		<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes form an integral part of the Financial Statements.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve- financial investments at FVOCI RM'000	Retained profits RM'000	Total RM'000
At 1 January 2020		650,000	-	9,584	1,618	125,086	786,288
Profit for the year		-	-	-	-	89,241	89,241
Transfer to retained profits		-	-	(9,584)	-	9,584	-
Other comprehensive income		-	-	-	4,936	-	4,936
At 31 December 2020		650,000	-	-	6,554	223,911	880,465
At 1 January 2019		650,000	-	15,234	98	124,329	789,661
Profit for the year		-	-	-	-	60,107	60,107
Transfer to retained profits		-	-	(5,650)	-	5,650	-
Other comprehensive income		-	-	-	1,520	-	1,520
Dividend on ordinary shares	19	-	-	-	-	(65,000)	(65,000)
At 31 December 2019		650,000	-	9,584	1,618	125,086	786,288

The accompanying Notes form an integral part of the Financial Statements.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>2020</u> RM'000	<u>2019</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	118,234	81,495
Adjustment for:		
Unrealised gain on derivative financial instrument	(125,715)	(62,053)
Unrealised loss on financial assets at FVTPL	222	2,315
Unrealised loss/(gain) on foreign exchange	(44,310)	69,141
Amortisation of premium less accretion of discount	7,748	3,114
Realised gain on financial investments at FVOCI	(9,560)	(1,129)
Interest income on financial investments at FVOCI	(40,012)	(33,718)
Depreciation of property, plant and equipment	2,575	3,176
Amortisation of intangible assets	886	898
Expected credit losses (write back)/made for impairment on loans, advances and financing	(2,563)	6,163
Operating (loss)/profit before working capital changes	<u>(92,495)</u>	<u>69,402</u>
(Increase)/Decrease in:		
Deposits and placement with banks and other financial institutions	-	300,110
Reverse repurchase agreements	(974,678)	49,225
Financial assets at FVTPL	(313,956)	1,632,102
Loans, advances and financing	(145,957)	(27,748)
Property, plant and equipment	1,121	(9,809)
Other assets	(166,005)	27,462
Increase/(Decrease) in:		
Deposit from customers	662,083	(330,834)
Deposit and placements of banks and other financial institution	(99,539)	(1,819,343)
Derivative financial assets/liabilities	13,270	109,234
Repurchase agreements	285,353	-
Other liabilities	829,150	179,821
Cash (used in)/generated from operating activities	<u>(1,653)</u>	<u>179,622</u>
Income tax paid	(22,446)	(39,088)
Net cash (used in)/generated from operating activities	<u><u>(24,099)</u></u>	<u><u>140,534</u></u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	<u>2020</u> RM'000	<u>2019</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,522)	(1,527)
Interest income on financial investments at FVOCI	37,151	30,351
Net purchase of financial investments at FVOCI	<u>(368,113)</u>	<u>(673,770)</u>
Net cash used in investing activities	<u>(332,484)</u>	<u>(644,946)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(65,000)
Payment for lease liabilities	<u>(2,169)</u>	<u>(2,785)</u>
Net cash used in financing activities	<u>(2,169)</u>	<u>(67,785)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(358,752)	(572,197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,431,636</u>	<u>2,003,833</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,072,884</u></u>	<u><u>1,431,636</u></u>
 ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds	5 <u><u>1,072,884</u></u>	<u><u>1,431,636</u></u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Changes in liabilities arising from financing activities as following:

	<u>Cash changes</u>		<u>Non-cash changes</u>		
	<u>As at</u> <u>01.01.2020</u> RM'000	<u>Net Cash</u> <u>Flows from</u> <u>Financing</u> <u>Activities</u> RM'000	<u>Lease</u> <u>modification</u> RM'000	<u>Interest</u> <u>Expense</u> RM'000	<u>As at</u> <u>31.12.2020</u> RM'000
Lease	<u>7,428</u>	<u>(2,169)</u>	<u>(520)</u>	<u>174</u>	<u>4,913</u>

	<u>Cash changes</u>		<u>Non-cash changes</u>		
	<u>As at</u> <u>01.01.2019</u> RM'000	<u>Net Cash</u> <u>Flows from</u> <u>Financing</u> <u>Activities</u> RM'000	<u>Additions</u> RM'000	<u>Interest</u> <u>Expense</u> RM'000	<u>As at</u> <u>31.12.2019</u> RM'000
Lease	<u>8,116</u>	<u>(2,785)</u>	<u>1,818</u>	<u>279</u>	<u>7,428</u>

The accompanying Notes form an integral part of the Financial Statements.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

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

1. GENERAL INFORMATION

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

The principal activities of the Bank are banking related financial services and Islamic banking business.

There have been no significant changes in the nature of the principal activities of the Bank during the financial year.

The registered office and principal place of business of the Bank is located at Level 48A, Vista Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The financial statements of the Bank have been authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 18 March 2021.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of 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 revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

The Bank has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

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

The adoption of these new standards, amendments to published standards and new interpretation did not have any material impact on the financial statements of the Bank in prior periods and are not expected to significantly affect the current or future periods.

The nature of the new standards are described below:

(i) The Conceptual Framework for Financial Reporting (Revised 2018)

The International Accounting Standard Board ("IASB") issued an update to the Conceptual Framework in April 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concept, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an Asset and a Liability.

The adoption of the framework is not anticipated to have significant impact on the Bank's financial statements.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)**

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

(ii) Amendments to MFRS 101 and MFRS 108 "Definition of Material"

Amendments clarify that materiality will depend on the nature of magnitude of information, or both. The Bank will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments also explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information.

These amendments, if any, are not expected to have any impact on the Bank's financial statements.

(iii) Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"

The amendments, issued to address the pre-replacement issues arising from the interest rate benchmark reform recommendations by Financial Stability Board, provides temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform until the uncertainty arising from this reform is longer present.

The interest rate benchmark reform may affect the application of cash flow hedge accounting because at some point in time, forecast cash flows based on interbank offered rates may no longer meet the highly probable requirement due to uncertainties arising from interest rate benchmark reform. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Similarly, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform when performing hedge effectiveness assessments. The amendments are applied prospectively from annual reporting period beginning on or after 1 January 2020. Early adoption is permitted.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)**

(b) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank

A number of new standards and amendments to standards and interpretations are effective for financial year beginning or after 1 January 2021. None of these is expected to have a significant effect on the financial statements of the Bank.

(i) Amendments to MFRS 16 COVID-19 'Related Rent Concessions' (effective 1 June 2020)

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

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

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

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

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

The Bank 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 Bank first applies the amendments.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Financial assets

The Bank initially recognises financial assets measured at amortised cost on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the settlement date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ('FVOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Classification of financial assets (continued)

By default, all other financial assets are subsequently measured at fair value through profit or loss ('FVTPL').

Despite the foregoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Bank may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate ('EIR'), transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Amortised cost and effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss.

Term placements with banks and other financial institutions, term placements due from BNP Paribas related entities, bills receivable from customers, loans to customers and other receivables consists of financial assets measured at amortised cost.

Debt instruments classified as FVOCI

Debt instruments recorded as investment securities are classified as FVOCI. Fair value is determined in the manner described in Note 31 fair value of financial assets and liabilities. The debt instruments classified as FVOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments classified as FVOCI as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments classified as FVOCI had been measured at amortised cost. All other changes in the carrying amount of these debt instruments classified as FVOCI are recognised in other comprehensive income and accumulated under the heading of "Revaluation reserves". When these debt instruments classified as FVOCI are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as FVTPL, unless the Bank designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as FVOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVOCI criteria are classified as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank has not designated any debt instruments as FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Interest income and Other operating income' line. Fair value is determined in the manner described in Note 31 Fair value of financial assets and liabilities.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Reverse Repurchase agreements

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Bank's statement of financial position. The corresponding receivable is recognised in the appropriate asset category on the statement of financial position except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under "Financial assets at fair value through profit or loss".

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other operating income' line item;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "Other operating income" line item; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other operating' line item.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Impairment of financial assets

The Bank recognises a loss allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost or at FVOCI, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

With the exception of Purchased or originated credit-impaired ('POC') financial assets (which are considered separately below), ECL are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECL are measured at an amount equal to the 12-month ECL.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expect to receive, over the remaining life of the financial instrument. For financial contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- any unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Impairment of financial assets (continued)

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A **Financial assets (continued)**

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ('PD') which affects both the measurement of ECL and the identification of a significant increase in credit risk.

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

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Significant increase in credit risk (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. There is particular focus on assets that are included on a "watch list" given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Financial assets (continued)

Significant increase in credit risk (continued)

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off.

Recoveries resulting from the Bank's enforcement activities will result in impairment credit.

B Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other operating income" line in the statement of comprehensive income.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Financial liabilities (continued)

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Repurchase Agreements

Securities temporarily sold under repurchase agreements continue to be recorded in the Bank's statement of financial position in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category on the statement of financial position except in the case of repurchase agreements contracted for trading purposes where the corresponding liability is classified under "Financial liabilities at fair value through profit or loss".

Other financial liabilities

Deposits of non-bank customers, deposits and balances of banks and other financial institutions, amounts due to head office and other branches and related companies, trade and other payables and other liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported 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 liabilities simultaneously.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

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

D Recognition of interest/profit income and interest/profit expense

Interest/profit income and expense for all interest-bearing financial instruments are recognised within "interest/profit income" and "interest/profit expense" in the profit or loss using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest/profit income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

Interest/profit on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E Recognition of revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Bank transfer the control of the goods or services promised in a contract and the customer obtains control of the goods and services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Bank and customer have approved the contract and intend to perform their respective obligations, the Bank's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Bank will collect the consideration to which it will be entitled to in exchange of those goods or services.

At the inception of each contract with customer, the Bank assess the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised.

Revenue is measured at the amount of consideration to which the Bank expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties. If the amount of consideration varies, the Bank estimate the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the prices of the goods or services promised in the contract.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Bank determine whether control of the goods or services for each performance obligation is transferred over time or at a point in time. Revenue is recognised over time if the control over the goods or services are transferred over time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E Recognition of revenue from contracts with customers (continued)

The following specific recognition criteria must be met before revenue is recognised:

Fee and commission income

The Bank earn fee and commission income from a diverse range of services provided to their customers. Fee income can be divided into the following categories:

Fee income earned from services that are provided over a period of time

Fees earned for the provision of services over a period of time are accrued over that period by reference to the stage of completion of the services. These fees include loan arrangement, commission income and advisory fees. Loan commitments fees for loans that are unlikely to be drawn down are recognised over the commitment period on a straight-line basis.

Fee income from providing transactions services

Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Success fee from advisory services

Fee from such activities can only be determined at the end of the transaction in view of the fact that the final consideration is subject a wide range of variables such as market price fluctuation, demand / supply etc.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F Currency translation

Functional and presentation currency

The financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ringgit Malaysia ('RM'), which is also the Bank's functional currency. All values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

Foreign currency transactions

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Bank, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the Bank at the closing rate. Translation differences are recognised in profit or loss, except for those arising from financial instruments designated as a cash flow hedge or a net investment hedge, which are recognised in shareholder's equity.

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in profit and loss if the asset is classified under "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified under "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in profit or loss.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets shown on the statement of financial position comprise assets used in operations. Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Bank as lessor under operating leases.

Software developed internally by the Bank that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Bank as lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straightline method over the useful life of the asset. Depreciation and amortisation expense is recognised in profit or loss. An intangible asset with an indefinite useful life shall not be amortised.

Renovation work-in-progress is not depreciated until they have been completed and ready for commercial operation.

Where an asset consists of a number of components that may require replacement at regular intervals, or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G **Property, plant and equipment and intangible assets (continued)**

The depreciation is made at the following rates:

Office equipment	20%
Renovation and installation	16.67%
Furniture, fixtures and fittings	20%
Computer equipment and hardware	20% - 33.33%

Software maintenance costs are expensed as incurred. However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the end of the reporting period. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in profit or loss. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to profit or loss.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in profit or loss.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(d) Shared-based compensation

BNP Paribas has set out share-based payment compensation for certain employees, including stock option and share award plans implemented as part of loyalty schemes and a Global Share-based Incentive Plan. As part of the BNP Paribas Group's variable remuneration policy, certain high-performing and newly recruited employees are offered a loyalty bonus scheme, entitling them to specific share-based remuneration, payable over the several years, and subject to the condition that the employees remain within the BNP Paribas Group.

Under MFRS 2 "Share-based payment", the Bank makes a charge to profit or loss in connection with expenses relating to share-based payments from grant date to vesting date.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise of cash and bank balances with banks and other financial institutions and short-term deposits maturing within one month.

J Current and deferred tax

Current tax expense is determined according to the Malaysian tax laws and includes all taxes based upon the taxable profits.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in profit or loss together with the deferred gain or loss.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the asset is realised or the liabilities settled.

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 they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

K Leases

Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Bank.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The Bank does not separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L **Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities that are classified as Level 3 fair value hierarchy. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

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

The Bank documents at the inception of the hedging transaction, the risk management objective & strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements involves making judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Bank's accounting policies, the following significant judgements, estimates and assumptions made by the management:

- the measurement of expected credit losses. This applies in particular to the assessment of significant increase in credit risk, the models and assumptions used to measure expected credit losses, the determination of the different economic scenarios and their weighting. The detailed judgements, assumptions and estimates made are disclosed in Note 3A;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets the detailed judgements, assumptions and estimates are disclosed in Note 31;
- calculations of the fair value of unquoted financial instruments classified in "Financial assets at fair value through other comprehensive income", or in "Financial instruments at fair value through profit or loss", whether as assets or liabilities, and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement.

5. CASH AND SHORT-TERM FUNDS

	<u>2020</u> RM'000	<u>2019</u> RM'000
At amortised cost:		
Cash and balances with banks and other financial institutions	29,608	36,029
Money at call and deposit placements maturing within one month	1,043,276	1,395,607
	<u>1,072,884</u>	<u>1,431,636</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	<u>2020</u> RM'000	<u>2019</u> RM'000
At Fair Value:		
Government securities:		
Malaysian Government Securities	381,477	87,387
Malaysian Government Investment Issues	32,490	12,846
	<u>413,967</u>	<u>100,233</u>

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

	<u>2020</u> RM'000	<u>2019</u> RM'000
At Fair Value:		
Government securities:		
Malaysian Government Securities	311,624	316,310
Malaysian Government Investment Issues	422,248	232,980
Bank Negara Malaysia Debt Securities	601,359	408,219
	<u>1,335,231</u>	<u>957,509</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. **LOANS, ADVANCES AND FINANCING**

	<u>2020</u> RM'000	<u>2019</u> RM'000
At Amortised Cost:		
(i) By type		
Revolving credit	827,750	669,493
Term loans	376,129	420,681
Trust receipts	131,880	80,289
Other trade bills discounted	-	6,695
Overdrafts	7,544	18,500
	<hr/>	<hr/>
Gross loans, advances and financing [^]	1,343,303	1,195,658
Less: Expected Credit Losses ('ECL')	(4,896)	(5,771)
	<hr/>	<hr/>
Net loans, advances and financing	<u>1,338,407</u>	<u>1,189,887</u>

Note [^]: Included in the loans, advances and financing, funding extended to BNP Paribas Najmah (an Islamic Banking window in the Bank) under Profit Sharing Investment Account (PSIA) is RM nil (FY2019: RM55 million). The PSIA is a contract based on the Wakalah principle.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. **LOANS, ADVANCES AND FINANCING (CONTINUED)**

	<u>2020</u> RM'000	<u>2019</u> RM'000
(ii) By type of customer		
Domestic business enterprises	1,323,534	1,195,658
Financial institutions	19,769	-
	<u>1,343,303</u>	<u>1,195,658</u>
(iii) By interest rate		
Variable rate:		
Cost plus	1,343,303	1,195,658
	<u>1,343,303</u>	<u>1,195,658</u>
(iv) By residual contractual maturity		
Maturing within one year	1,015,886	903,471
More than one year to five years	211,467	154,829
More than five years	115,950	137,358
	<u>1,343,303</u>	<u>1,195,658</u>
(v) By geographical distribution		
In Malaysia	1,343,303	1,195,658
(vi) By Sector		
Manufacturing	940,551	924,316
Mining and quarrying	36,157	10,301
Construction	3,000	10,001
Wholesale and retail	65,575	28,375
Financial services	19,769	-
Other business services	197,740	212,255
Real estate activities	80,511	10,410
	<u>1,343,303</u>	<u>1,195,658</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. **LOANS, ADVANCES AND FINANCING (CONTINUED)**

(vii) Movements in ECL on loans, advances and financing are as follows:

	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<u>2020</u>				
Balance at beginning of financial year	1,168	4,603	-	5,771
Change in credit risk Allowance made	49	(49)	-	-
during the financial year	1,301	2,430	-	3,731
Derecognised during the financial year	(208)	(4,398)	-	(4,606)
Balance at end of financial year	<u>2,310</u>	<u>2,586</u>	<u>-</u>	<u>4,896</u>

2020

Loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% to total credit exposures, net of loss allowance for credit-impaired exposures

0.3%

BNM Guidelines on Financial Reporting/Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. **LOANS, ADVANCES AND FINANCING (CONTINUED)**

(vii) Movements in ECL on loans, advances and financing are as follows: (continued)

	12 month ECL <u>(Stage 1)</u> RM'000	Lifetime ECL not credit impaired <u>(Stage 2)</u> RM'000	Lifetime ECL credit impaired <u>(Stage 3)</u> RM'000	<u>Total</u> RM'000
<u>2019</u>				
Balance at beginning of financial year	1,243	176	-	1,419
Change in credit risk	(100)	100	-	-
Allowance made during the financial year	545	4,432	-	4,977
Derecognised during the financial year	(491)	(1)	-	(492)
Exchange differences	(29)	(104)	-	(133)
Balance at end of financial year	<u>1,168</u>	<u>4,603</u>	<u>-</u>	<u>5,771</u>
				<u>2019</u>
Loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% to total credit exposures, net of loss allowance for credit-impaired exposures				<u>1.0%</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8. **LOANS, ADVANCES AND FINANCING (CONTINUED)**

(viii) Movements on loans, advances and financing are as follows:

	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<u>2020</u>				
Balance at beginning of financial year	1,061,318	134,340	-	1,195,658
Change in credit risk	(27,007)	27,007	-	-
Purchases and origination	517,175	51,565	-	568,740
Derecognised during the financial year	(310,768)	(110,327)	-	(421,095)
Balance at end of financial year	<u>1,240,718</u>	<u>102,585</u>	<u>-</u>	<u>1,343,303</u>
<u>2019</u>				
Balance at beginning of financial year	1,100,317	69,404	-	1,169,721
Change in credit risk	(131,419)	131,419	-	-
Purchases and origination	489,782	-	-	489,782
Derecognised during the financial year	(397,362)	(66,483)	-	(463,845)
Balance at end of financial year	<u>1,061,318</u>	<u>134,340</u>	<u>-</u>	<u>1,195,658</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank to transfer, modify or reduce its foreign exchange and interest rate risks via hedge relationships. Most of the Bank's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Bank may also take positions with the expectation to gain from favourable movements in prices, rates or indices.

At the end of the reporting period, the Bank has positions in the following types of derivatives:

	<u>2020</u>		
	<u>Notional</u>	<u>Assets</u>	<u>Liabilities</u>
	RM'000	RM'000	RM'000
<u>Derivatives held for trading at fair value through profit or loss</u>			
Foreign exchange derivatives:			
Currency forwards	16,227,549	300,124	(172,439)
Currency swaps	33,427,520	452,036	(664,537)
Currency options	428,929	7,018	(78)
Currency spot	561,607	1,724	(300)
Interest rate derivatives:			
Interest rate swaps	45,894,726	505,655	(255,512)
Credit derivatives:			
Credit default swaps	911,204	29,736	(18,307)
Total derivative assets/(liabilities)	<u>97,451,535</u>	<u>1,296,293</u>	<u>(1,111,173)</u>
	<u>2019</u>		
	<u>Notional</u>	<u>Assets</u>	<u>Liabilities</u>
	RM'000	RM'000	RM'000
<u>Derivatives held for trading at fair value through profit or loss</u>			
Foreign exchange derivatives:			
Currency forwards	11,883,718	85,393	(83,287)
Currency swaps	42,683,439	215,828	(285,375)
Currency options	928,438	6,792	(1,916)
Currency spot	154,524	243	(9)
Interest rate derivatives:			
Interest rate swaps	32,779,249	120,390	(48,559)
Interest rate options	200,000	-	(2,610)
Credit derivatives:			
Credit default swaps	1,072,940	30,796	(9,321)
Total derivative assets/(liabilities)	<u>89,702,308</u>	<u>459,442</u>	<u>(431,077)</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9. **DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)**

The table shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded at gross, is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the reporting period and are indicative of neither the market risk nor the credit risk.

The fair values of the Bank's derivative financial instruments are estimated by reference to quoted market prices, where available. Internal models are used when no market prices are available.

10. **OTHER ASSETS**

	<u>2020</u> RM'000	<u>2019</u> RM'000
Collateral assets	184,563	19,643
Other receivables	8,631	7,608
Deposit	812	824
Prepayments	1,071	997
	<u>195,077</u>	<u>29,072</u>

Collateral assets represent cash collateral pledged to other banks and financial institutions for derivative transactions.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11. PROPERTY, PLANT AND EQUIPMENT

<u>2020</u>	Office equipment and machinery RM'000	Renovation and installation RM'000	Furniture fixtures and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Renovation work-in progress RM'000	Right of Use RM'000	<u>Total</u> RM'000
<u>Cost</u>								
At beginning of year	310	4,256	1,851	6,236	15	228	13,231	26,127
Additions	68	-	4	1,373	-	77	-	1,522
Reclassification	-	-	-	305	-	(305)	-	-
Lease modification	-	-	-	-	-	-	(834)	(834)
At end of year	378	4,256	1,855	7,914	15	-	12,397	26,815

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and machinery RM'000	Renovation and installation RM'000	Furniture fixtures and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Renovation work-in progress RM'000	Right of Use RM'000	Total RM'000
<u>2020</u>								
<u>Accumulated depreciation</u>								
At beginning of year	227	4,109	1,642	4,789	15	-	5,640	16,422
Charge for the year	31	91	83	724	-	-	1,646	2,575
Lease modification	-	-	-	-	-	-	286	286
At end of year	258	4,200	1,725	5,513	15	-	7,572	19,283
<u>Net Book Value</u>								
As of 31 December 2020	120	56	130	2,401	-	-	4,825	7,532

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>2019</u>	Office equipment and machinery RM'000	Renovation and installation RM'000	Furniture fixtures and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Renovation work-in progress RM'000	Right of Use RM'000	Total RM'000
Cost								
At beginning of year	269	4,256	1,847	4,936	15	455	13134	24,912
Additions	41	-	4	1,255	-	228	1,565	3,093
Matured during the year	-	-	-	-	-	-	(1,468)	(1,468)
Reclassification	-	-	-	45	-	(45)	-	-
Expensed off	-	-	-	-	-	(410)	-	(410)
At end of year	310	4,256	1,851	6,236	15	228	13,231	26,127

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and machinery RM'000	Renovation and installation RM'000	Furniture fixtures and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicle RM'000	Renovation work-in progress RM'000	Right of Use RM'000	Total RM'000
<u>2019</u>								
<u>Accumulated depreciation</u>								
At beginning of year	197	3,984	1,536	4,317	14	-	4,666	14,714
Charge for the year	30	125	106	472	1	-	2,442	3,176
Matured during the year	-	-	-	-	-	-	(1,468)	(1,468)
At end of year	227	4,109	1,642	4,789	15	-	5,640	16,422
<u>Net Book Value</u>								
As of 31 December 2019	83	147	209	1,447	-	228	7,591	9,705

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. INTANGIBLE ASSETS

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Computer Software</u>		
<u>Cost</u>		
At 1 January/31 December	<u>3,090</u>	<u>3,090</u>
<u>Accumulated amortisation</u>		
At 1 January	2,180	1,283
Amortisation for the year	886	897
At 31 December	<u>3,066</u>	<u>2,180</u>
Net book value	<u>24</u>	<u>910</u>

13. DEFERRED TAX ASSETS/(LIABILITIES)

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Deferred Tax Assets	5,486	4,232
Deferred Tax Liabilities	(2,070)	(511)
At 31 December	<u>3,416</u>	<u>3,721</u>

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 income taxes relate to the same tax authority.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

	Note	Property plant and equipment RM'000	Financial investment at FVOCI RM'000	Provisions RM'000	Total RM'000
<u>2020</u>					
At 1 January		287	(511)	3,945	3,721
Credited to profit or loss	25	52	-	1,202	1,254
Charged to other comprehensive income		-	(1,559)	-	(1,559)
At 31 December		339	(2,070)	5,147	3,416
<u>2019</u>					
At 1 January		265	(20)	3,528	3,773
Credited to profit or loss	25	22	-	417	439
Charged to other comprehensive income		-	(491)	-	(491)
At 31 December		287	(511)	3,945	3,721

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14. DEPOSITS FROM CUSTOMERS

	<u>2020</u> RM'000	<u>2019</u> RM'000
At Amortised Cost:		
Demand deposits	1,409,123	827,347
Fixed deposits	886,190	811,390
Commodity Murabahah	5,507	-
	<u>2,300,820</u>	<u>1,638,737</u>

(i) Maturity structure of fixed deposits and Commodity Murabahah are as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Due within six months	887,209	807,516
Six months to one year	4,488	3,874
	<u>891,697</u>	<u>811,390</u>

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Business enterprises	2,278,943	1,622,909
Non-bank financial institutions	21,877	15,828
	<u>2,300,820</u>	<u>1,638,737</u>

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>2020</u> RM'000	<u>2019</u> RM'000
At Amortised Cost:		
Other financial institutions	<u>840,883</u>	<u>940,422</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. OTHER LIABILITIES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Collateral deposits	1,151,905	320,753
Other payables	50,330	53,075
Accruals and charges	18,692	16,150
Allowance for impairment losses on loan commitment and financial guarantee	692	2,144
Lease liabilities	4,913	7,428
	<u>1,226,532</u>	<u>399,550</u>

Collateral deposits represent cash collateral pledged from other banks and financial institutions for derivative transactions.

i) Allowance for impairment losses on loans commitment and financial guarantee are as follows:

	<u>12</u> month ECL (Stage 1) RM'000	<u>Lifetime ECL</u> not credit impaired (Stage 2) RM'000	<u>Lifetime ECL</u> credit impaired (Stage 3) RM'000	<u>Total</u> RM'000
<u>2020</u>				
Balance at beginning of financial year	244	1,900	-	2,144
Allowance written-back during the financial year	(50)	(1,402)	-	(1,452)
Balance at end of financial year	<u>194</u>	<u>498</u>	<u>-</u>	<u>692</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. OTHER LIABILITIES (CONTINUED)

i) Allowance for impairment losses on loans commitment and financial guarantee are as follows: (continued)

	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
<u>2019</u>				
Balance at beginning of financial year	86	332	-	418
Change in credit risk Allowance made during the financial year	(45)	45	-	-
Exchange differences	202	1,401	-	1,603
	1	122	-	123
Balance at end of financial year	<u>244</u>	<u>1,900</u>	<u>-</u>	<u>2,144</u>

17. SHARE CAPITAL

	<u>2020</u>		<u>2019</u>	
	No of Ordinary Shares '000	RM '000	No of Ordinary Shares '000	RM '000
<u>Ordinary shares issued and fully paid</u>				
At 31 December	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>	<u>650,000</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

18. RESERVES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Non-distributable:		
Revaluation reserve-financial investments at FVOCI (Note a)	6,554	1,618
Regulatory reserve (Note b)	-	9,584
	<u>6,554</u>	<u>11,202</u>

(a) Revaluation reserve-financial investments at FVOCI

The revaluation reserve-financial investments at FVOCI represent cumulative fair value changes on financial investments at FVOCI.

(b) Regulatory reserve

BNM Guidelines on Financial Reporting/Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM.

19. DIVIDEND

	<u>2020</u> RM'000	<u>2019</u> RM'000
An interim single tier dividend of RM0.10 per ordinary share on 650,000,000 ordinary shares paid on 5 September 2019	-	65,000

The Directors do not recommend and declared any dividend payment in respect of the current financial year.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20. INTEREST INCOME

	<u>2020</u> RM'000	<u>2019</u> RM'000
Loans and advances	41,049	45,868
Money at call and deposit placements with financial institutions	31,650	49,293
Financial investments at FVOCI	40,012	33,580
Financial assets at FVTPL	25,543	36,434
Reverse repurchase agreements	16,719	18,040
Other interest income	1,611	1
	<u>156,584</u>	<u>183,216</u>
Amortisation of premium less accretion of discount	(7,748)	(3,114)
	<u>148,836</u>	<u>180,102</u>

21. INTEREST EXPENSE

	<u>2020</u> RM'000	<u>2019</u> RM'000
Deposits from customers	23,331	39,610
Deposits and placements of banks and other financial institutions	2,040	31,296
Repurchase agreements	493	3
Lease liabilities	174	279
Other interest expense	5,140	370
	<u>31,178</u>	<u>71,558</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22. OTHER OPERATING INCOME

	<u>2020</u> RM'000	<u>2019</u> RM'000
Fee income:		
Commissions	142	259
Guarantee fee	1,686	1,675
Other fee income:		
Advisory fees	-	14,381
Arrangement fees	797	639
Other fees	2,145	2,923
	<u>4,770</u>	<u>19,877</u>
Gain arising from sale of:		
Financial assets at FVTPL	24,096	37,663
Financial investments at FVOCI	9,560	1,129
(Loss)/gain on derivatives trading:		
Realised	(59,818)	(14,195)
Unrealised	125,715	62,053
Unrealised loss on revaluation of financial assets:		
FVTPL	(222)	(2,315)
Unrealised gain on reverse repurchase agreements	387	-
Unrealised loss on repurchase agreements	(330)	-
Other income:		
Foreign exchange:		
Realised (loss)/gain	(55,388)	35,602
Unrealised gain/(loss)	44,310	(69,141)
Others	9,706	10,838
	<u>102,786</u>	<u>81,511</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23. OTHER OPERATING EXPENSES

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Personnel costs (Note a)	48,826	44,519
Establishment costs (Note b)	16,242	14,856
Marketing expenses (Note c)	367	781
Administration and general expenses (Note d)	39,682	42,665
	<u>105,117</u>	<u>102,821</u>
(a) Personnel costs		
Salaries, bonuses and allowance	36,865	32,673
Defined contribution plan	5,738	4,775
Social security cost	340	721
Other staff related expenses	5,883	6,350
	<u>48,826</u>	<u>44,519</u>
(b) Establishment costs		
Information technology costs	9,088	7,413
Depreciation of property, plant and equipment (Note 12)	2,575	3,176
Amortisation of intangible asset (Note 13)	886	897
Others	3,693	3,370
	<u>16,242</u>	<u>14,856</u>
(c) Marketing expenses		
Advertising	70	69
Others	297	712
	<u>367</u>	<u>781</u>
(d) Administration and general expenses		
Legal and professional fees	2,460	2,575
Communication and transportation	950	1,240
Other general expenses	36,272	38,850
	<u>39,682</u>	<u>42,665</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23. OTHER OPERATING EXPENSES (CONTINUED)

Included in the above expenditure are the following statutory disclosures:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Directors' remuneration	1,393	1,523
Auditors' remuneration:		
Statutory audit	380	411
Others	185	37
	<u>1,393</u>	<u>1,977</u>

Details of Directors' remuneration of the Bank during the year are as follows:

	<u>Fees</u> RM'000	<u>Other allowances</u> RM'000	<u>Bonuses</u> RM'000	<u>Benefits in kind</u> RM'000	<u>Total</u> RM'000
<u>2020</u>					
Non-executive Directors	<u>1,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,393</u>
<u>2019</u>					
Non-executive Directors	<u>1,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,523</u>

The details of the Directors of the Bank in office, and interest in shares and share options during the financial year are disclosed in the Report of the Directors.

Aggregate remuneration of the CEO and all Directors during the financial year is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Chief Executive Officer</u>		
Philippe Aroyo	-	2,063
Anthony Lo	2,250	577
	<u>2,250</u>	<u>2,640</u>
<u>Non-Executive Directors</u>		
Dato Abdullah Mat Noh	400	400
Halim Haji Din	100	400
Jean-Pierre Roger Beno Bernard	170	170
Yves Maurice Guy Marie Drieux	170	170
Wahid Ali bin Mohd Khalil	170	170
Chia Seng Leng	170	170
Vijayam a/p Nadarajah	170	43
Faisal bin Ismail	43	-
Joris Maria A. Dierckx	-	-
	<u>3,643</u>	<u>4,163</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

24. EXPECTED CREDIT LOSSES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Expected credit losses:		
Allowance (written back)/made during the financial year	<u>(2,563)</u>	<u>6,163</u>
<u>(Written back)/Charge during the financial year:</u>		
Loans, advances and financing	(1,031)	4,508
Other financial assets	<u>(1,532)</u>	<u>1,655</u>
	<u>(2,563)</u>	<u>6,163</u>

25. INCOME TAX EXPENSE

	<u>2020</u> RM'000	<u>2019</u> RM'000
Current tax:		
Current year	30,071	20,641
Under provision in prior years	<u>176</u>	<u>1,186</u>
	<u>30,247</u>	<u>21,827</u>
Deferred tax (Note 13)		
Origination and reversal of temporary differences	(1,339)	(715)
Recognition and reversal of prior years' temporary differences	<u>85</u>	<u>276</u>
	<u>(1,254)</u>	<u>(439)</u>
Income tax expenses	<u>28,993</u>	<u>21,388</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

25. INCOME TAX EXPENSE (CONTINUED)

A numerical reconciliation of income tax expense to profit before tax at the applicable statutory income tax rate is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Profit before tax	118,234	81,495
Taxation at Malaysian statutory tax rate of 24%	28,376	19,559
Tax effects of:		
Expenses not deductible for tax purposes	356	367
Under provision in prior years	176	1,186
Recognition and reversal of prior years' temporary differences	85	276
	<u>28,993</u>	<u>21,388</u>

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The Bank is a wholly-owned subsidiary of BNP Paribas S.A., a financial institution incorporated in France, which is also regarded by the Directors as the immediate and ultimate holding company of the Bank.

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

<u>Name of related parties</u>	<u>Relationship</u>
BNP Paribas S.A., Paris	Ultimate holding company
BNP Paribas, Doha	Fellow subsidiary
BNP Paribas, Tokyo	Fellow subsidiary
BNP Paribas, Canada	Fellow subsidiary
BNP Paribas, New York	Fellow subsidiary
BNP Paribas, Hong Kong	Fellow subsidiary
BNP Paribas, London	Fellow subsidiary
BNP Paribas, Abu Dhabi	Fellow subsidiary
BNP Paribas, Singapore	Fellow subsidiary
BNP Paribas, Geneva	Fellow subsidiary
BNP Paribas, Mumbai	Fellow subsidiary
BNP Paribas, Fortis	Fellow subsidiary
BNP Paribas, Labuan	Fellow subsidiary
BNP Paribas Asset Management Malaysia Sdn Bhd	Fellow subsidiary
BNP Paribas Asset Management Najmah Malaysia Sdn Bhd	Fellow subsidiary
BNP Paribas Capital (Malaysia) Sdn Bhd	Fellow subsidiary

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26. **SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(a) **Related party transactions**

Significant transactions undertaken by the Bank with related companies which are determined on a basis negotiated with the said parties are as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Income:		
Recharges from intercompany	5,913	6,867
Interest on cash and short term funds	-	118
Other interest	8	1
Fee Income	500	109
Gain on derivatives trading	128,842	-
	<u> </u>	<u> </u>
Expense:		
Interest on deposits and placements of banks and other financial institutions	1,527	8,089
Other intercompany charges	33,896	34,092
Loss on derivatives trading	-	5,581
Information technology costs	9,664	9,102
Other staff related expenses	50	184
Interest on Commodity Murabahah deposits	57	117
Interest on demand deposits	31	47
Interest on fixed deposits	128	117
Other interest	2,755	370
Other operating expenses	276	331
	<u> </u>	<u> </u>

(b) **Related party balances**

	<u>Ultimate holding company</u> RM'000	<u>Related parties</u> RM'000
<u>2020</u>		
<u>Assets</u>		
Cash and short term funds	3,890	3,804
Derivative financial assets	563,018	44,682
Other assets	-	1
	<u> </u>	<u> </u>
	<u>566,908</u>	<u>48,487</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26. **SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(b) **Related party balances (continued)**

	<u>Ultimate holding company</u> RM'000	<u>Related parties</u> RM'000
<u>2020 (continued)</u>		
<u>Liabilities</u>		
Deposits from customers	-	25,123
Deposit and placements of banks and other financial institutions	24,245	816,638
Repurchase agreement	285,353	-
Derivative financial liabilities	184,407	23,174
Other liabilities	995,160	15
	<u>1,489,165</u>	<u>864,950</u>
 <u>2019</u>		
<u>Assets</u>		
Cash and short term funds	379	13,598
Derivative financial assets	92,350	55,732
Other assets	-	6,611
	<u>92,729</u>	<u>75,941</u>
 <u>2019</u>		
<u>Liabilities</u>		
Deposits from customers	-	25,215
Deposit and placements of banks and other financial institutions	2,938	936,675
Derivative financial liabilities	109,191	8,280
Other liabilities	227,166	8,966
	<u>339,295</u>	<u>979,136</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26. **SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. The key management personnel of the Bank include the Chief Executive Officer and Senior Officers of the Bank.

Compensation of key management personnel:

The remuneration of key management personnel during the year are as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Salaries and other short term employee benefits	9,921	11,481
Post-employment benefits:		
Defined contribution plan	1,008	1,132
	<u>10,929</u>	<u>12,613</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The following tables represent the Bank's top 5 related party transactions by geographical and type of services as of 31 December 2020:

<u>Services provided by geographical</u>	<u>Client management</u>		<u>Middle office services</u>		<u>Back office services</u>		<u>Finance and Control</u>		<u>Reconciliations</u>		<u>Operations</u>		<u>Information technology</u>		<u>Other services</u>		<u>Total</u> RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
India	27	-	-	-	-	-	-	-	34	253	-	-	-	1	315		
Belgium	-	-	-	-	-	-	-	-	-	-	477	-	-	-	477		
France	-	-	-	-	-	-	-	-	-	-	-	50	-	(42)	8		
Hong Kong	25	146	9	1,288	-	-	-	-	-	417	101	-	-	-	1,986		
Singapore	-	360	-	-	-	-	-	-	-	-	6,425	-	-	145	6,930		
	<u>52</u>	<u>506</u>	<u>9</u>	<u>1,288</u>	<u>34</u>	<u>670</u>	<u>7,053</u>	<u>104</u>	<u>9,716</u>								

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The following tables represent the Bank's top 5 related party transactions by geographical and type of services as of 31 December 2019:

<u>Services provided by geographical</u>	<u>Client</u>	<u>Middle</u>	<u>Back</u>	<u>Finance</u>	<u>Operations</u>	<u>Information</u>	<u>Other</u>	<u>Total</u>
	<u>management</u>	<u>office</u>	<u>office</u>	<u>and</u>	<u>RM'000</u>	<u>technology</u>	<u>services</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>services</u>	<u>services</u>	<u>Control</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>Reconciliations</u>				
				<u>RM'000</u>				
India	25	-	-	-	56	266	-	348
Belgium	-	-	-	-	-	-	508	508
France	-	-	-	-	-	-	49	49
Hong Kong	37	510	(40)	285	-	441	500	1,733
Singapore	-	420	-	-	-	-	6,153	6,708
	<u>62</u>	<u>930</u>	<u>(40)</u>	<u>285</u>	<u>56</u>	<u>707</u>	<u>7,210</u>	<u>9,346</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27. OPERATING LEASE ARRANGEMENTS

The Bank has lease commitments in respect of rented premises which are classified as operating lease as at 31 December 2018. Starting 1 January 2019, the Bank has recognised right of use assets for these leases, except for leases which are scoped out of MFRS 16. A summary of the lease commitments, net of sub-lease is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Future minimum rental payments:		
Not later than 1 year	384	343
Later than 1 year and not later than 5 years	563	303
	<u>947</u>	<u>646</u>

28. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Outstanding credit exposures with connected parties	104,327	144,797
Total credit exposures	<u>2,773,228</u>	<u>2,443,669</u>
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposures	<u>3.76%</u>	<u>5.93%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The principal amount of the commitment and contingencies as of 31 December are as follows:

	<u>2020</u> Principal amount RM'000	<u>2019</u> Principal amount RM'000
Direct credit substitutes	375,527	387,830
Short term self liquidating trade related contingencies	6,904	1,006
Irrevocable commitments to extend credit:		
Maturity up to one year	-	-
Maturity more than one year	353,470	261,504
Total credit related commitment and contingencies	<u>735,901</u>	<u>650,340</u>
Foreign exchange derivatives:		
One year or less	48,467,361	54,493,027
Over one year to five years	2,161,244	1,157,092
Over five years	17,000	-
Interest rate derivatives:		
One year or less	13,308,092	10,016,250
Over one year to five years	31,127,563	21,849,881
Over five years	1,459,071	1,113,118
Credit derivatives:		
One year or less	290,264	78,229
Over one year to five years	620,940	994,711
Total treasury related commitment and contingencies	<u>97,451,535</u>	<u>89,702,308</u>
Total commitment and contingencies	<u>98,187,436</u>	<u>90,352,648</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has developed and implemented comprehensive policies and procedures to identify, mitigate and monitor risk across the entity which are based on BNP Paribas Group's policies. These practices rely on constant communications, judgement and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(a) Operational Risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the "cause – event – effect" chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses human resources risks, legal risks, tax risks, information system risks, misprocessing risks, Shariah non-compliance risks, risks related to published financial information and the financial implications resulting from reputation and compliance risks.

The Bank has implemented an Internal Operational Risk Self Assessment system, identifying areas and probability of risk. The actual occurrence of operational loss is entered into a Corporate Loss Database and reconciled against the financial statements. The Bank also has the Operational Risk Assessment Process and a Business Continuity Plan in place.

(b) Credit Risk

Credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

Counterparty risk is the credit risk embedded in payment or transactions between counterparties. Those transactions include bilateral contracts such as over-the-counter derivatives contracts ('OTC'). The amount of this risk varies over time in line with changing market parameters which then impacts the replacement value of the relevant transactions or portfolio.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

General credit policy, credit control and provisioning procedures

The Bank's lending activities are governed by the Bank's Credit Risk Policy which is subject to and fully adopts BNP Paribas Group's Global Credit Policy. The policy is underpinned by core principles related to compliance with the BNP Paribas Group's ethical standards, clear definition of roles and responsibilities and thorough analysis of risks. It is rolled down in the form of specific policies tailored to each type of business or counterparty.

In respect of its lending activities, the Bank structures the levels of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and would abide by geographical and industry segments limit as and when defined at Group or Regional level.

A comprehensive risk monitoring system is organised around Control units, which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various forecasting tools are used to provide early warnings of potential escalations of credit risks. The various monitoring levels, which generally reflect the organisation of discretionary lending authorities, are carried out up to the General Management Doubtful and Watch List Committee, under the supervision of Risk Function ('RISK'). This committee examines on a quarterly basis all sensitive or non-performing loans in excess of a given threshold, for which it reviews and decides on the strategy towards the client, the rating and Global Recovery Rate ('GRR') and examines the adequacy of the impairment and recovery data based on a recommendation from the business lines, with RISK concurrence.

As part of the BNP Paribas Group's policy, each business line is required to make a monthly review, together with RISK, of all corporate, bank and sovereign loans in default to determine the amount of impairment loss, if any, to be recognised, either by reducing the carrying amount or by recording a provision for impairment, depending on the applicable accounting standards. The amount of the impairment loss is based on the present value of expected net recoveries, including from the realisation of collateral. Each and every change in provision must be examined locally by a committee between Business, Finance and Risk by physical meetings. Changes in provision exceeding local/regional delegation level are recommended to Head Office.

In addition, at APAC level, a collective impairment is established while a dedicated local management committee is also established to provide the necessary oversight.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

General credit policy, credit control and provisioning procedures (continued)

The determination of this collective impairment, known as MFRS 9 provisions, is calculated on all facilities and results from a two-step approach.

First the facilities have to be allocated to one of the three impairment stages by determining whether a significant increase in credit risk has occurred since initial recognition or whether the facility is defaulted. If that increase did occur, the facility is considered as being in Stage 2. If there was no significant credit risk increase, the facility remains in stage 1.

Second, the collective provisioning of the facility, known as the expected credit loss is calculated: 12-month expected loss for all facilities in stage 1 and lifetime expected credit loss for all facilities in stage 2; facilities in stage 3 are covered by specific provisions.

Internal rating system

The Bank adopts the BNP Paribas Group's Corporate Credit Policy which formalises the rating principles and methodology to be used to qualify and quantify the credit risks of counterparty. The implementation of this policy contributes to the management, approval and monitoring, credit delegation, provisioning and pricing policy process and portfolio management of corporate credit risks within the Bank at counterparty level.

The BNP Paribas Group performs regular back-testing to ensure that the rating system is appropriate and robust.

Under the rating system, there are 32 notches. 30 (ranging from 1+ to 10-) cover counterparties that are not in default with credit assessments ranging from 'excellent' to 'very concerning', and two relate to counterparties classified as in Doubtful. Confirmation or amendments to Counterparty Ratings and the Global Recovery Rates applicable to each transaction of the counterparty are reviewed at inception and at least once a year as part of the credit approval process or annual credit review, drawing on the combined expertise of business line staff and Risk representatives, who have the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems.

Portfolio policy

In addition to selecting individual risks and measuring the related exposure, the Bank follows a portfolio-based policy designed to diversify risks among borrowers and industries with a cautious approach to country risk. Concentrations of counterparty risks are closely monitored at regular intervals.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Risk mitigation techniques

Exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral when certain exposure thresholds are exceeded, the right to terminate transactions upon the occurrence of unfavourable events, the right to reset the terms of transactions after specified time periods or upon the occurrence of unfavourable events, reducing part of its risks through risk participations and securitisation and entering into netting agreements with counterparties that permit the Bank to offset receivables and payables with such counterparties.

Where possible, the Bank takes collateral to mitigate its exposure. Collateral includes cash, marketable securities, structured products, moveable and immovable properties, trade receivables, inventory and other physical and financial collateral. The Bank may also take fixed and floating charges on the assets of borrowers. It has put in place policies governing eligibility of collateral. Where appropriate, collaterals are revalued periodically depending on the type of collaterals in order to ensure continued effective coverage.

The Bank generally holds full collaterals against the credit facilities granted under its wealth management businesses and holds the right to dispose of these collaterals when certain exposure thresholds are exceeded. Mortgage loan is usually extended to customers who maintain their liquidity with the Bank and represent an immaterial proportion of the total loan portfolio of the Bank.

Netting arrangements

Netting is used by the Bank in order to mitigate counterparty credit risk associated with derivatives trading. The main instance where netting occurs is in case of trades termination: if the counterparty defaults, all the trades are terminated at their current market value, and all the positive and negative market values are summed to obtain a single amount (net) to be paid to or received from the counterparty. The balance ('close-out netting') may be collateralised with cash, securities or deposits.

The Bank also applies settlement netting in order to mitigate counterparty credit risk in case of currency-settlements. This corresponds to the netting of all payments and receipts between the Bank and one counterparty in the same currency to be settled in the same day. The netting results in a single amount (for each currency) to be paid either by the Bank or by the counterparty.

Transactions affected by this are processed in accordance with bilateral or multilateral agreements respecting the general principles of the national or international framework. The main forms of bilateral agreements are those issued on an international basis by International Swaps and Derivatives Association ('ISDA').

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**(b) **Credit Risk (continued)***Derivatives*

This credit risk exposure is managed at BNP Paribas Group level as part of the overall credit limits with customers, together with potential exposures from market movements. Collateral or other security may be obtained to mitigate credit risk exposures on these instruments.

Measurement of Expected Credit Loss for capital purposes

The key inputs used for measuring ECL are probability of default ('PD'), loss given default ('LGD') exposure at default ('EAD') and effective maturity.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Measurement of Expected Credit Loss for capital purposes (continued)

The effective maturity is the expected date when the contract with the counterparty expires.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items).

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

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.

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
ASSETS			
Cash and short-term funds	5	1,072,884	1,431,636
Reverse repurchase agreements		974,678	-
Financial assets at FVTPL	6	413,967	100,233
Financial investments at FVOCI	7	1,335,231	957,509
Loans, advances and financing*	8	1,343,303	1,195,658
Derivative financial assets	9	1,296,293	459,442
Other asset**	10	193,194	27,251
Total asset		<u>6,629,550</u>	<u>4,171,729</u>
Commitments and contingencies		<u>1,429,925</u>	<u>1,248,012</u>
Total credit exposure		<u>8,059,475</u>	<u>5,419,741</u>

* Excludes expected credit losses allowance amounting to RM 4,896,000 (2019: RM 5,771,000).

** Other assets exclude prepayment and refundable deposits amounting to RM 1,883,000 (2019: RM1,821,000)

Risk concentrations for commitments and contingencies are based on the credit equivalent balances derived based on credit conversion factor as per Bank Negara Malaysia guidelines.

Where financial instruments are recorded at 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.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as of 31 December 2020:

	Cash and short-term funds RM'000	Reverse repurchase agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total contingencies RM'000
Concentration risk by industry sectors								
Government and central banks	1,054,948	86,115	413,967	1,335,231	-	-	-	2,890,261
Manufacturing	-	-	-	-	940,551	20,375	-	960,926
Mining and quarrying	-	-	-	-	36,157	3,326	-	39,483
Finance, insurance and business services	17,936	888,563	-	-	19,769	1,254,016	193,194	2,373,478
Construction	-	-	-	-	3,000	1,170	-	4,170
Wholesale and retail	-	-	-	-	65,575	3,651	-	69,226
Real estate	-	-	-	-	80,511	-	-	80,511
Transport, storage and communication	-	-	-	-	-	199	-	199
Other business services	-	-	-	-	197,740	13,556	-	211,296
	<u>1,072,884</u>	<u>974,678</u>	<u>413,967</u>	<u>1,335,231</u>	<u>1,343,303</u>	<u>1,296,293</u>	<u>193,194</u>	<u>6,629,550</u>
								<u>1,429,925</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as of 31 December 2020: (continued)

	Cash and short-term funds RM'000	Reverse repurchase agreements RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total contingencies RM'000
Concentration risk by geographical sectors								
Malaysia	1,055,763	974,678	413,967	1,335,231	1,343,303	685,595	193,194	6,001,731
United Kingdom	143	-	-	-	-	20,218	-	20,361
France	1,821	-	-	-	-	568,257	-	570,078
Hong Kong	639	-	-	-	-	9,997	-	10,636
Singapore	5,713	-	-	-	-	3,809	-	9,522
Thailand	15	-	-	-	-	7,952	-	7,967
Others	8,790	-	-	-	-	465	-	9,255
	<u>1,072,884</u>	<u>974,678</u>	<u>413,967</u>	<u>1,335,231</u>	<u>1,343,303</u>	<u>1,296,293</u>	<u>193,194</u>	<u>6,629,550</u>
								<u>1,429,925</u>

* Excludes expected credit losses amounting to RM 4,896,000 (2019: RM 5,771,000).

** Other assets exclude prepayment and refundable deposits amounting to RM 1,883,000 (2019: RM 1,821,000)

Risk concentrations for commitments and contingencies are based on the credit equivalent balances derived based on credit conversion factor as per Bank Negara Malaysia guidelines.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as of 31 December 2019:

	Cash and short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On sheet total contingencies RM'000
Concentration risk by industry sectors							
Government and central banks	1,408,883	100,233	957,509	-	-	-	2,466,625
Manufacturing	-	-	-	924,316	20,305	-	944,621
Mining and quarrying	-	-	-	10,301	1,933	-	12,234
Finance, insurance and business services	22,753	-	-	-	428,852	27,251	478,856
Construction	-	-	-	10,001	1,222	-	11,223
Wholesale and retail	-	-	-	28,375	198	-	28,573
Real estate	-	-	-	10,410	-	-	10,410
Transport, storage and communication	-	-	-	-	558	-	558
Other business services	-	-	-	212,255	6,374	-	218,629
	<u>1,431,636</u>	<u>100,233</u>	<u>957,509</u>	<u>1,195,658</u>	<u>459,442</u>	<u>27,251</u>	<u>4,171,729</u>
							<u>1,248,012</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

The following tables represent the Bank's credit risk concentrations as of 31 December 2019: (continued)

	Cash and short-term funds RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On sheet total contingencies RM'000
Concentration risk by geographical sectors							
Malaysia	1,409,687	100,233	957,509	1,195,658	299,603	27,251	3,989,941
United Kingdom	1,692	-	-	-	-	-	1,692
France	379	-	-	-	110,620	-	110,999
Hong Kong	1,743	-	-	-	7,796	-	9,539
Singapore	1,712	-	-	-	4,002	-	5,714
Thailand	4	-	-	-	30,769	-	30,773
Others	16,419	-	-	-	6,652	-	23,071
	<u>1,431,636</u>	<u>100,233</u>	<u>957,509</u>	<u>1,195,658</u>	<u>459,442</u>	<u>27,251</u>	<u>4,171,729</u>
							<u>1,248,012</u>

* Excludes expected credit losses amounting to RM 4,896,000 (2019: RM 5,771,000).

** Other assets exclude prepayment and refundable deposits amounting to RM 1,883,000 (2019 RM 1,821,000)

Risk concentrations for commitments and contingencies are based on the credit equivalent balances derived based on credit conversion factor as per Bank Negara Malaysia guidelines.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets

Financial assets are required under MFRS 7, to be categorised into 'neither past due nor impaired', 'past due but not impaired' or 'impaired'.

The table below compares, for indicative purpose only, BNP Paribas' Rating Scale with the rating agencies 'Long Term Currency Issuer Credit Ratings' and 'Long Term Local Currency Senior Unsecured Rating'.

BNP Paribas Ratings		Long-term Issuer/Unsecured issues ratings		
		Moody's	S&P	Fitch IBCA
1+	Excellent	Aaa	AAA	AAA
1	Excellent	Aa1	AA+	AA+
1-	Excellent	Aa2	AA	AA
2+	Very good	Aa3	AA	AA
2	Very good	A1	A+	A+
		A2	A	A
2-	Very good	A3	A-	A-
3+/3/3-	Good	Baa1	BBB+	BBB+
4+/4/4-	Above average	Baa2	BBB	BBB
5+/5/5-	Average	Baa3	BBB-	BBB-
6+	Below average	Ba1	BB+	BB+
6/6-	Below average	Ba2	BB	BB
7+/7	Poor	Ba3	BB-	BB
7-	Poor	B1	B+	B+
8+/8/8-	Weak	B2	B	B
9+/9/9-	Speculative	B3	B-	B-
		Caa1	CCC+	CCC+
10+	Substandard	Caa2	CCC	CCC
		Caa3	CCC-	CCC-
10	Substandard	Ca	CC	CC
10-	Substandard	C	C	C
11	Default	D	SD/D	DDD/DD/D
12	Inversible default			

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2020			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Cash and short-term funds	1,072,884	-	-	1,072,884
1-	7,712	-	-	7,712
2+	2,016	-	-	2,016
2	1,664	-	-	1,664
2-	1,054,948	-	-	1,054,948
3+	816	-	-	816
3	5,713	-	-	5,713
4	15	-	-	15
Reverse repurchase agreements	974,678	-	-	974,678
2-	86,115	-	-	86,115
3-	303,745	-	-	303,745
4+	314,293	-	-	314,293
5+	270,525	-	-	270,525
Financial assets at FVTPL	413,967	-	-	413,967
2-	413,967	-	-	413,967
Financial investments at FVOCI	1,335,231	-	-	1,335,231
2-	1,335,231	-	-	1,335,231

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Credit quality of financial assets (continued)

	2020			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Loans advances and financing*	1,240,718	102,585	-	1,343,303
3+	19,769	-	-	19,769
3	26,002	-	-	26,002
3-	334,857	-	-	334,857
4+	155,332	-	-	155,332
4	90,421	-	-	90,421
5+	123,472	-	-	123,472
5	13,986	-	-	13,986
5-	65,265	-	-	65,265
6+	202,564	-	-	202,564
6	53,224	-	-	53,224
6-	1,001	-	-	1,001
7+	57,753	92,593	-	150,346
7	40,505	-	-	40,505
7-	37,497	-	-	37,497
8+	12,507	-	-	12,507
8	6,563	-	-	6,563
8-	-	9,390	-	9,390
9	-	602	-	602

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Credit quality of financial assets (continued)

	2020			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month <u>ECL</u>	Lifetime <u>ECL</u>	Lifetime <u>ECL</u>	
	RM'000	RM'000	RM'000	
Derivative financial assets	1,296,293	-	-	1,296,293
1-	607,700	-	-	607,700
2-	5,170	-	-	5,170
3+	186,183	-	-	186,183
3	33,202	-	-	33,202
3-	69,500	-	-	69,500
4+	117,347	-	-	117,347
4	30,467	-	-	30,467
4-	20,215	-	-	20,215
5+	51,773	-	-	51,773
5	157,033	-	-	157,033
5-	11	-	-	11
6+	2,955	-	-	2,955
6-	529	-	-	529
7+	49	-	-	49
7	1,063	-	-	1,063
<i>Unrated</i>	13,096	-	-	13,096

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Credit quality of financial assets (continued)

	2020			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Other asset	193,194	-	-	193,194
1-	1	-	-	1
3+	4,460	-	-	4,460
3	9,189	-	-	9,189
3-	37,610	-	-	37,610
4+	27,752	-	-	27,752
4	68,260	-	-	68,260
5+	37,293	-	-	37,293
5-	25	-	-	25
Unrated	8,604	-	-	8,604
Gross carrying amount	6,526,965	102,585	-	6,629,550
Less: ECL	(2,310)	(2,586)	-	(4,896)
Net carrying amount	6,524,655	99,999	-	6,624,654

* Excludes expected credit losses amounting to RM 4,896,000 (2019: RM5,771,000).

** Other assets exclude prepayment and refundable deposits amounting to RM 1,883,000 (2019: RM1,821,000)

Financial effects of collaterals

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Bank includes

- Cash and Margin Deposits
- Land and building

The Bank also accepts non-tangible securities as support, such as guarantees from corporates and institutions, central banks and general governments in a form of assignments of contract proceeds and/or promissory notes.

Overall, there do not appear to be a significant deterioration in the quality of collateral.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2019			<u>Total</u> RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month <u>ECL</u>	Lifetime <u>ECL</u>	Lifetime <u>ECL</u>	
	RM'000	RM'000	RM'000	
Cash and short-term funds	1,431,636	-	-	1,431,636
1-	13,986	-	-	13,986
2+	5,471	-	-	5,471
2	776	-	-	776
2-	1,408,883	-	-	1,408,883
3+	804	-	-	804
3	1,712	-	-	1,712
4	4	-	-	4
Financial assets at FVTPL	100,233	-	-	100,233
2-	100,233	-	-	100,233
Financial investment at FVOCI	957,509	-	-	957,509
2-	957,509	-	-	957,509

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2019			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Loans advances and financing*	1,061,318	134,340	-	1,195,658
3-	243,210	-	-	243,210
4+	45,014	-	-	45,014
4	40,059	-	-	40,059
5+	56,480	-	-	56,480
5	151,199	-	-	151,199
5-	155,567	-	-	155,567
6+	6,278	-	-	6,278
6	115,738	-	-	115,738
6-	79,198	-	-	79,198
7+	96,249	-	-	96,249
7-	48,850	53,347	-	102,197
8+	16,412	-	-	16,412
8	2,468	15,328	-	17,796
8-	4,596	10,410	-	15,006
10	-	55,255	-	55,255

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2019			Total RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Derivative financial assets	457,114	2,328	-	459,442
1-	152,205	-	-	152,205
2-	1,139	-	-	1,139
3+	101,423	-	-	101,423
3	21,885	-	-	21,885
3-	62,472	-	-	62,472
4+	48,149	-	-	48,149
4	3,832	-	-	3,832
4-	7,569	-	-	7,569
5+	1,458	-	-	1,458
5	42,116	-	-	42,116
6+	59	-	-	59
6	924	-	-	924
6-	571	-	-	571
7+	10,906	-	-	10,906
8+	184	-	-	184
10	-	2,328	-	2,328
<i>Unrated</i>	2,222	-	-	2,222

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Credit quality of financial assets (continued)

	2019			<u>Total</u> RM'000
	ECL Staging			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	
Other asset	27,251	-	-	27,251
1-	25	-	-	25
2-	3,397	-	-	3,397
3	96	-	-	96
3-	1,970	-	-	1,970
4+	3,806	-	-	3,806
4-	8,970	-	-	8,970
5+	18	-	-	18
5	1,500	-	-	1,500
Unrated	7,469	-	-	7,469
Gross carrying amount	4,035,061	136,668	-	4,171,729
Less: ECL	(1,169)	(4,602)	-	(5,771)
Net carrying amount	4,033,892	132,066	-	4,165,958

* Excludes expected credit losses amounting to RM5,771,000 (2018: RM 1,419,000).

** Other assets exclude prepayment and refundable deposits amounting to RM1,821,000 (2018: RM1,998,000)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(b) **Credit Risk (continued)**

Credit exposure by stage

Financial assets of the Bank are classified into three stages as below:

Stages	Description
Stage 1: 12 months ECL – not credit impaired	For credit exposures where there have not been significant increase in credit risk since initial recognition 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 have been 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.
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.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Sensitivity analysis

The Bank performed ECL sensitivity assessment on loans, advances and financing based on:
i) changes in % of GDP growth used for optimistic and adverse scenarios while all other variables remain unchanged.

The table below outlines the effect on ECL with the changes in % of GDP growth used:

	<u>2020</u>	
	<u>Increase/(Decrease) in %</u>	<u>Increase/(Decrease) in ECL</u>
		RM'000
Optimistic	+ 15%	(3,840)
Adverse	- 15%	7,471

ii) changes in % of probability weightage used for optimist and adverse scenarios while all other variables remain unchanged.

The table below outlines the effect on ECL with the changes in weightage used:

Scenarios	<u>2020</u>		<u>Increase in ECL</u>
	<u>Changes in weightage</u>		
	Adverse (%)	Optimist (%)	RM'000
1	+ 5%	- 5%	399
2	+10%	-10%	719
3	+15%	-15%	1,040

The above disclosure is intended to illustrate the relative sensitivity of the ECL allowance calculation and is not predictive or indicative of future loss experience.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Market Risk

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, interest rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, prices of other goods, and other parameters that can be directly inferred from them, such as credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analysis, as confirmed by market information.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The Bank's primary tool for the systematic measuring and monitoring of market risk is the Value at Risk ('VaR') calculation, which is measured and monitored at the regional level by lines of businesses. VaR is an estimate of the expected loss in the value of the various regional lines of businesses' activities, where the Bank's activities are rolled up into, over a one-day time horizon. VaR allows for a consistent and uniform measure of market risk across all applicable products and activities. To calculate VaR, the Bank uses historical simulation, which measures risk across instruments and portfolios in a consistent and comparable way. This approach assumes that historical changes in market values are representative of future changes. The simulation is based upon data for the previous twelve months.

Besides VaR, other non-statistical limits such as basis point value and net open positions are used as market risk tools to limit the risk to which the businesses can be exposed to.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(c) **Market Risk (continued)**

The VaR of the Bank at the end of the reporting period, based on one-day time horizon and at 99% confidence level, is RM6,121,964 (2019: RM2,091,094). It represents the correlation and consequent diversification effects between risk types and portfolio types across trading and non-trading businesses. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

	<u>2020</u> RM'mil	<u>2019</u> RM'mil
Aggregate VaR	<u>6.1</u>	<u>2.1</u>

The aggregate VaR includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate VaR can be lower than the sum of individual risk types on the same day (e.g. year end).

The maximum VaR of the Bank during the year is RM9,414,732 (2019: RM5,004,858) while the minimum VaR during the year is RM1,928,770 (2019: RM1,407,203).

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profit or loss in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

(d) **Interest Rate Risk**

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials that arises mainly from the differing yields and maturity profiles between assets and liabilities.

Interest rate is monitored through the market risk management systems as part of the overall market risk management of the Bank. The following tables represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at the end of the reporting period.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Rate Risk (continued)

The following table represents the Bank's financial assets and financial liabilities at carrying amounts as of 31 December 2020:

	Non-trading book						Trading book RM'000	Non interest sensitive RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
Financial assets									
Cash and short-term funds	1,072,608	-	-	-	-	-	276	1,072,884	
Reverse repurchase agreement	-	-	-	-	-	971,952	2,726	974,678	
Financial assets at FVTPL	-	-	-	-	-	413,967	-	413,967	
Financial investments at FVOCI	-	631,483	192,598	502,654	-	-	8,496	1,335,231	
Loans, advances and financing	782,901	323,907	234,151	-	-	-	(2,552)	1,338,407	
Derivatives financial assets	-	-	-	-	-	1,296,293	-	1,296,293	
Other assets	-	-	-	-	-	-	193,194	193,194	
Total financial assets	1,855,509	955,390	426,749	502,654	-	2,682,212	202,140	6,624,654	

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Rate Risk (continued)

The following table represents the Bank's financial assets and financial liabilities at carrying amounts as of 31 December 2020: (continued)

	Non-trading book						Trading book RM'000	Non interest sensitive RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3 -12 months RM'000	1 -5 years RM'000	Over 5 years RM'000				
<u>2020</u>									
<u>Financial liabilities</u>									
Deposit from customers	2,228,015	67,500	4,511	-	-	-	794	2,300,820	
Deposit and placements of banks and other financial institutions	839,406	500	1,000	-	-	-	(23)	840,883	
Repurchase agreements	-	-	-	-	-	284,878	475	285,353	
Derivative financial liabilities	-	-	-	-	-	1,111,173	-	1,111,173	
Other liabilities	-	-	-	-	-	-	1,226,532	1,226,532	
Total financial liabilities	3,067,421	68,000	5,511	-	-	1,396,051	1,227,778	5,764,761	
Net interest rate gap	(1,211,912)	887,390	421,238	502,654	-	1,286,161	(1,025,638)	859,893	

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Rate Risk (continued)

The following table represents the Bank's financial assets and financial liabilities at carrying amounts as of 31 December 2019:

	Non-trading book						Trading book RM'000	Non interest sensitive RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
<u>2019</u>									
<u>Financial assets</u>									
Cash and short-term funds	1,430,029	-	-	-	-	-	1,607	1,431,636	
Financial assets at FVTPL	-	-	-	-	-	100,233	-	100,233	
Financial investments at FVOCI	3	438,272	229,436	284,162	-	-	5,636	957,509	
Loans, advances and financing	744,125	308,845	139,404	-	-	-	(2,487)	1,189,887	
Derivatives financial assets	-	-	-	-	-	459,442	-	459,442	
Other assets	-	-	-	-	-	-	27,251	27,251	
Total financial assets	2,174,157	747,117	368,840	284,162	-	559,675	32,007	4,165,958	

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Rate Risk (continued)

The following table represents the Bank's financial assets and financial liabilities at carrying amounts as of 31 December 2019: (continued)

	Non-trading book						Trading book RM'000	Non interest sensitive RM'000	Total RM'000
	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000				
<u>Financial liabilities</u>									
Deposit from customers	1,453,397	180,113	3,886	-	-	-	1,341	1,638,737	
Deposit and placements of banks and other financial institutions	530,364	409,250	-	-	-	-	808	940,422	
Derivative financial liabilities	-	-	-	-	-	431,077	-	431,077	
Other liabilities	-	-	-	-	-	-	399,550	399,550	
Total financial liabilities	1,983,761	589,363	3,886	-	-	431,077	401,699	3,409,786	
Net interest rate gap	190,396	157,754	364,954	284,162	-	128,598	(369,692)	756,172	

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(d) **Interest Rate Risk (continued)**

Sensitivity of profit

The table below shows the sensitivity of the Bank's banking book to movement in interest rates:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Impact to profit (after tax)	(1,992)	1,992	3,325	(3,325)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Rate Risk (continued)

Sensitivity of reserves

The table below shows the sensitivity of the Bank's banking book to movement in interest rates:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to revaluation reserve- financial investments through other comprehensive income	(22,073)	22,073	(10,795)	10,795

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserve in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments available-for-sale following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Bank would take to mitigate the impact of this interest rate risk. In practice, the Bank proactively seeks to mitigate the effect of prospective interest movements.

(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 drawdowns.

The Assets and Liabilities Committee ('ALCO') is primarily responsible for the strategic management of the Bank's liquidity, the daily operations of which are carried out by the ALM Desk of the Treasury Department.

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with BNP Paribas Group worldwide, ALCO guidelines and Bank Negara Malaysia's Liquidity Coverage Ratio.

The table below analyses the Bank's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

The table below analyses financial assets and liabilities of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions:

	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
<u>2020</u>							
<u>Assets</u>							
Cash and short-term funds	1,072,884	-	-	-	-	-	1,072,884
Reverse repurchase agreements	670,934	-	303,744	-	-	-	974,678
Financial assets at FVTPL	-	-	251,509	21,477	140,981	-	413,967
Financial investments at FVOCI	-	631,791	195,682	507,758	-	-	1,335,231
Loan, advances and financing	726,680	206,148	79,024	210,616	115,939	-	1,338,407
Derivative financial assets	140,109	310,658	303,943	497,042	44,541	-	1,296,293
Other assets	-	-	-	-	-	193,194	193,194
Total Assets	2,610,607	1,148,597	1,133,902	1,236,893	301,461	193,194	6,624,654

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(e) **Liquidity Risk (continued)**

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

	Up to 1 month RM'000	1 -3 months RM'000	3-12 months RM'000	1 -5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers and other financial institutions	2,228,757	67,537	4,526	-	-	-	2,300,820
Repurchase agreements	839,379	501	1,003	-	-	-	840,883
Derivative financial liabilities	-	-	285,353	-	-	-	285,353
Other liabilities	251,299	213,021	365,615	266,754	14,484	-	1,111,173
	-	-	-	-	-	1,226,532	1,226,532
Total Liabilities	3,319,435	281,059	656,497	266,754	14,484	1,226,532	5,764,761
Net Liquidity Gap	(708,828)	867,538	477,405	970,139	286,977	(1,033,338)	859,893

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

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

	2019	Up to 1 month RM'000	1 -3 months RM'000	3-12 months RM'000	1 -5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	1,431,636	-	-	-	-	-	-	1,431,636
Financial assets at FVTPL	78	43,760	957	11,552	43,886	-	-	100,233
Financial investments at FVOCI	3	438,538	231,230	287,738	-	-	-	957,509
Loan, advances and financing	554,568	250,748	49,384	209,737	125,450	-	-	1,189,887
Derivative financial assets	110,996	75,129	120,208	134,483	18,626	-	-	459,442
Other assets	-	-	-	-	-	27,251	-	27,251
Total Assets	2,097,281	808,175	401,779	643,510	187,962	27,251	27,251	4,165,958

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(e) **Liquidity Risk (continued)**

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

	Up to 1 month RM'000	1 -3 months RM'000	3-12 months RM'000	1 -5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	1,454,478	180,348	3,911	-	-	-	1,638,737
Deposit and placement of banks and other financial institutions	531,050	409,372	-	-	-	-	940,422
Derivative financial liabilities	104,682	108,453	144,182	67,802	5,958	-	431,077
Other liabilities	-	-	-	-	-	399,550	399,550
Total Liabilities	2,090,210	698,173	148,093	67,802	5,958	399,550	3,409,786
Net Liquidity Gap	7,071	110,002	253,686	575,708	182,004	(372,299)	756,172

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statement of financial position as the amounts incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

	2020	Up to 1 month RM'000	1 -3 months RM'000	3 - 12 months RM'000	1 -5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	2,229,199	67,674	4,601	-	-	-	-	2,301,474
Deposit and placement of banks and other financial institutions	839,215	502	1,009	-	-	-	-	840,726
Other liabilities	-	-	-	-	-	-	1,226,532	1,226,532
Total Liabilities	3,068,414	68,176	5,610	-	-	-	1,226,532	4,368,732
2019								
Non-derivative financial liabilities								
Deposits from customers	1,455,193	181,044	4,021	-	-	-	-	1,640,258
Deposit and placement of banks and other financial institutions	531,109	410,070	-	-	-	-	-	941,179
Other liabilities	-	-	-	-	-	-	399,550	399,550
Total Liabilities	1,986,302	591,114	4,021	-	-	-	399,550	2,980,987

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(e) **Liquidity Risk (continued)**

2020

Items not recognised in the Statement
of Financial Position

	Up to 1 month RM'000	1-3 months RM'000	3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Financial guarantees	7,060	129,919	139,979	97,570	1,000	-	375,528
Net-settled derivatives	(57)	(5,760)	(44,467)	(209,050)	(14,484)	-	(273,818)
Gross-settled derivatives	8,870,333	6,415,263	8,822,730	1,196,903	-	-	25,305,229
- Receipt	(9,120,279)	(6,627,113)	(9,191,221)	(1,263,083)	-	-	(26,201,696)
- Payments	(250,003)	(217,610)	(412,958)	(275,230)	(14,484)	-	(1,170,285)

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

2019

Items not recognised in the Statement
of Financial Position

Financial guarantees

Net-settled derivatives
Gross-settled derivatives

- Receipt
- Payments

	Up to 1 month RM'000	1 -3 months RM'000	3-12 months RM'000	1 -5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Financial guarantees	41,293	33,626	126,209	140,709	-	-	341,837
Net-settled derivatives	-	(136)	(3,316)	(51,079)	(5,959)	-	(60,490)
Gross-settled derivatives	10,687,770	14,108,444	8,106,660	862,298	-	-	33,765,172
- Receipt	(10,792,927)	(14,222,374)	(8,264,849)	(880,083)	-	-	(34,160,233)
- Payments	(105,157)	(114,066)	(161,505)	(68,864)	(5,959)	-	(455,551)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(e) **Liquidity Risk (continued)**

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by the Bank. Financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty. If the repayment of a financial asset or liability is triggered by, or is subject to, specific criteria, such as market price hurdles being reached, the asset is included in the latest date on which it can be repaid regardless of early repayment, the liability is included at the earliest possible date that the conditions can be fulfilled without considering the probability of the conditions being met.

The contractual maturity of the financial assets and liabilities highlight the maturity transformation which underpins the role of banks to lend longer-term but funded predominantly by short-term liabilities such as customer deposits.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on contractual basis or period when it can legally be withdrawn. On a behavioural basis, the assets and liabilities cash flows may differ from contractual basis.

(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.

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.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(f) **Currency Risk (continued)**

	2020	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets						
Cash and short-term funds	1,055,764		4,600	1,836	10,684	1,072,884
Reverse repurchase agreements	974,678		-	-	-	974,678
Financial assets at FVTPL	413,967		-	-	-	413,967
Financial investments at FVOCI	733,872		601,359	-	-	1,335,231
Loans, advances and financing	1,020,599		189,056	128,752	-	1,338,407
Derivative financial assets	1,168,853		10,135	82,207	35,098	1,296,293
Other assets	183,416		9,790	(17)	5	193,194
Total Assets	5,551,149	814,940	212,778	45,787	6,624,654	
Liabilities						
Deposits from customers	1,418,145		805,318	28,159	49,198	2,300,820
Deposits and placements of banks and other financial institutions	35,739		158,494	646,313	337	840,883
Repurchase agreement	-		285,353	-	-	285,353
Derivative financial liabilities	1,017,719		11,454	40,038	41,962	1,111,173
Other liabilities	106,325		1,114,535	3,099	2,573	1,226,532
Total Liabilities	2,577,928	2,375,154	717,609	94,070	5,764,761	
Currency gap	2,973,221	(1,560,214)	(504,831)	(48,283)		

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

30. **FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**

(f) **Currency Risk (continued)**

2019

	<u>MYR</u> RM'000	<u>USD</u> RM'000	<u>EUR</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
Assets					
Cash and short-term funds	1,409,687	9,224	387	12,338	1,431,636
Financial assets at FVTPL	100,233	-	-	-	100,233
Financial investments at FVOCI	957,509	-	-	-	957,509
Loans, advances and financing	882,210	246,036	61,641	-	1,189,887
Derivative financial assets	132,990	290,582	33,438	2,432	459,442
Other assets	19,972	7,244	-	35	27,251
Total Assets	3,502,601	553,086	95,466	14,805	4,165,958
Liabilities					
Deposits from customers	1,121,285	451,920	20,582	44,950	1,638,737
Deposits and placements of banks and other financial institutions	10,034	886,796	43,567	25	940,422
Derivative financial liabilities	48,859	348,602	15,993	17,623	431,077
Other liabilities	92,602	302,742	2,143	2,063	399,550
Total Liabilities	1,272,780	1,990,060	82,285	64,661	3,409,786
Currency gap	2,229,821	(1,436,974)	13,181	(49,856)	

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(f) Currency Risk (continued)

The table below shows the sensitivity of the Bank's profit to movement in foreign exchange rates:

	<u>31 December</u> <u>2020</u> <u>(Decrease)/Increase</u>		<u>31 December</u> <u>2019</u> <u>(Decrease)/Increase</u>	
	<u>1% appreciation in</u> <u>foreign currency</u> <u>RM'000</u>	<u>1% depreciation</u> <u>in foreign</u> <u>currency</u> <u>RM'000</u>	<u>1% appreciation in</u> <u>foreign currency</u> <u>RM'000</u>	<u>1% depreciation</u> <u>in foreign</u> <u>currency</u> <u>RM'000</u>
Impact to profit (after tax)	(15,951)	15,951	(10,869)	10,869

The impact on profit arises from transactional exposures. The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(g) Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

	Gross amount of recognised financial assets/ financial liabilities RM'000	Financial instrument RM'000	Financial collateral RM'000	Net amount RM'000
			Related amount not set off in the statement of financial position	
<u>2020</u>				
<u>Assets</u>				
Derivative financial assets	1,296,293	(666,166)	(184,563)	445,564
<u>Liabilities</u>				
Derivative financial liabilities	1,111,173	(666,166)	(1,151,905)	(706,898)
<u>2019</u>				
<u>Assets</u>				
Derivative financial assets	459,442	(266,740)	(19,643)	173,059
<u>Liabilities</u>				
Derivative financial liabilities	431,077	(266,740)	(320,753)	(156,416)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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 appropriate methodologies and assumptions on 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.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie. as prices) or indirectly (ie. derived from prices); these techniques are regularly calibrated and the inputs are corroborated with information from active markets; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value.

For financial instruments disclosed in Level 3 of the fair value hierarchy, a difference between the transaction price and the fair value may arise at initial recognition. This 'Day One Profit' is deferred and released to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to profit or loss account.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table shows the Bank's financial instruments which are measured at fair value and those that are not measured at fair value but for which fair value disclosures are provided, analysed by the various levels within the fair value hierarchy. It does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>Financial Assets</u>					
Reverse repurchase agreements	974,678	-	974,678	-	974,678
Financial assets at FVTPL	413,967	-	413,967	-	413,967
Financial investments at FVOCI	1,335,231	-	1,335,231	-	1,335,231
Loans, advances and financing*	1,338,407	-	1,366,914	-	1,366,914
Derivative financial assets	1,296,293	-	1,266,557	29,736	1,296,293
<u>Financial Liabilities</u>					
Derivative financial liabilities	1,111,173	-	1,092,866	18,307	1,111,173

* Denotes financial instruments not carried at fair value but fair value disclosure required.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table shows the Bank's financial instruments which are measured at fair value and those that are not measured at fair value but for which fair value disclosures are provided, analysed by the various levels within the fair value hierarchy. It does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values: (continued)

	Carrying amount RM'000	Fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<u>2019</u>					
<u>Financial Assets</u>					
Financial assets at FVTPL	100,233	-	100,233	-	100,233
Financial investments at FVOCI	957,509	-	957,509	-	957,509
Loans, advances and financing*	1,189,887	-	1,218,684	-	1,218,684
Derivative financial assets	459,442	-	428,646	30,796	459,442
<u>Financial Liabilities</u>					
Derivative financial liabilities	431,077	-	421,756	9,321	431,077

* Denotes financial instruments not carried at fair value but fair value disclosure required.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Reconciliation of movements in Level 3 financial instruments

	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
<u>Derivative Financial Assets</u>		
At 1 January	30,796	61,266
Gain recognised in profit or loss		
Realised	(9,372)	(10,884)
Unrealised	8,312	(19,586)
	<u>29,736</u>	<u>30,796</u>
At 31 December	<u><u>29,736</u></u>	<u><u>30,796</u></u>
<u>Derivative Financial Liabilities</u>		
At 1 January	9,321	35,424
Loss recognised in profit or loss		
Realised	(1,785)	(35,424)
Unrealised	10,771	9,321
	<u>18,307</u>	<u>9,321</u>
At 31 December	<u><u>18,307</u></u>	<u><u>9,321</u></u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction under normal market conditions.

However, for certain assets such as loans, deposits and derivatives, fair values are not readily available as there is no open market where these instruments are traded.

The fair values for these instruments are estimated based on the assumptions and techniques below.

These methods are subjective in nature and therefore the fair values presented may not be indicative of the actual realisable value.

(i) Cash and short-term funds

The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.

(ii) Reverse repurchase agreements

The estimated fair value is based on quoted and observable market prices at the end of the reporting period. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flows techniques.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(iii) Financial assets through profit and loss and through other comprehensive income

The estimated fair value is based on quoted and observable market prices at the end of the reporting period. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flows techniques. Where discounted cash flows technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the end of the reporting period.

(iv) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values.

For fixed rate loans with maturities of more than one year, the fair values are estimated based on discounted future cash flows of contractual instalment payments.

For variable rate loans with maturities of more than one year, the fair values have been determined with generally pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

In respect of credit-impaired loans, the fair values are deemed to approximate the carrying values, net of individual impairment allowance for bad and doubtful debts and financing.

(v) Deposits from customers

Deposits from customers are valued at carrying amounts for all amounts on demand and below one year, while deposits over one year have been valued at discounted cash flows.

(vi) Deposits and placements from banks and other financial institutions

Deposits and placements from banks and other financial institutions are valued at carrying amount.

(vii) Derivative financial instruments

The fair value of foreign exchange derivatives, interest rate derivatives and equity derivatives is the estimated amount that the Bank would receive or pay to terminate the contracts at the end of the reporting period.

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets/ Financial liabilities	Fair value as at 31.12.2020		Fair value as at 31.12.2019		Valuation and techniques key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000			
<u>Credit derivatives</u> Credit default swaps	29,736	18,307	30,796	9,321	Stripping, interpolation and extrapolation.	Credit default spreads beyond observation limit. Recovery rate variance.	Adjustment to parameter based on review on first to default.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32. CAPITAL ADEQUACY

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	650,000	650,000
Retained profits	223,911	125,086
Other disclosed reserves	6,554	1,618
	<u>880,465</u>	<u>776,704</u>
<u>Less: Regulatory adjustments</u>		
Intangible assets	(24)	(910)
Deferred tax assets	(3,416)	(3,721)
55% of cumulative gains from financial instruments at FVOCI	(3,605)	(890)
Total Tier 1 capital	<u>873,420</u>	<u>771,183</u>
<u>Tier 2 capital</u>		
Expected credit losses	5,588	7,915
Regulatory reserve	-	9,584
Total Tier 2 capital	<u>5,588</u>	<u>17,499</u>
Total Capital base	<u>879,008</u>	<u>788,682</u>
<u>Capital Ratios</u>		
Common Equity Tier 1 Ratio	18.905%	18.685%
Tier 1 Capital Ratio	18.905%	18.685%
Total Capital Ratio	<u>19.026%</u>	<u>19.109%</u>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32. CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets by each major risk category is as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Principal</u>	<u>Risk</u>	<u>Principal</u>	<u>Risk</u>
	<u>RM'000</u>	<u>weighted</u>	<u>RM'000</u>	<u>weighted</u>
		<u>assets</u>		<u>assets</u>
		<u>RM'000</u>		<u>RM'000</u>
<u>Risk weight</u>				
0%	3,917,160	-	2,366,393	-
20%	760,182	152,036	617,318	123,464
50%	146,818	73,409	25,414	12,707
100%	2,121,614	2,121,614	1,890,217	1,890,217
Credit risk		2,347,059		2,026,388
Market risk		1,868,985		1,657,388
Operational risk		403,981		443,555
Total risk-weighted assets		<u>4,620,025</u>		<u>4,127,331</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW

The Bank launched its Islamic banking business under its Islamic Banking Window on 9 April 2012. The financial position of the Islamic Banking Window of the Bank as at 31 December 2020 and 2019, and results for the financial year ended on the dates are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
ASSETS			
Cash and short-term funds	(a)	22,202	29,079
Other assets	(b)	9,766	9,668
Property, plant and equipment	(c)	-	-
Intangible assets	(d)	-	-
TOTAL ASSETS		<u>31,968</u>	<u>38,747</u>
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(e)	10,079	16,312
Other liabilities		82	152
TOTAL LIABILITIES		<u>10,161</u>	<u>16,464</u>
Capital fund		26,850	26,850
Accumulated losses		(5,043)	(4,567)
Islamic banking funds		<u>21,807</u>	<u>22,283</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		<u>31,968</u>	<u>38,747</u>
COMMITMENTS AND CONTINGENCIES		<u>-</u>	<u>-</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<u>Note</u>	<u>2020</u> RM'000	<u>2019</u> RM'000
Income derived from investment of Islamic banking funds and depositors' funds	(f)	401	716
Profit expense to depositors		(57)	(293)
		<hr/>	<hr/>
Net income derived from investment of Islamic banking funds and depositors' funds		344	423
Other operating income	(g)	1,038	1,027
Other operating expenses	(h)	(1,858)	(1,880)
		<hr/>	<hr/>
Loss before taxation		(476)	(430)
Income tax expense	(i)	-	-
		<hr/>	<hr/>
Loss after taxation		(476)	(430)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive expense		(476)	(430)
		<hr/> <hr/>	<hr/> <hr/>

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

33. **ISLAMIC BANKING WINDOW (CONTINUED)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Capital fund RM'000	Regulatory reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as of 1 January 2020	26,850	-	(4,567)	22,283
Loss after taxation and zakat	-	-	(476)	(476)
Balance as of 31 December 2020	<u>26,850</u>	<u>-</u>	<u>(5,043)</u>	<u>21,807</u>
Balance as of 1 January 2019	25,750	48	(4,185)	21,613
Additional capital fund	1,100	-	-	1,100
Loss after taxation and zakat	-	-	(430)	(430)
Transfer from regulatory reserve	-	(48)	48	-
Balance as of 31 December 2019	<u>26,850</u>	<u>-</u>	<u>(4,567)</u>	<u>22,283</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(a) CASH AND SHORT-TERM FUNDS

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>At amortised cost</u>		
Cash and balances with licensed banks	3,205	6,081
Money at call and deposit placements maturing within one month	18,997	22,998
	<u>22,202</u>	<u>29,079</u>

(b) OTHER ASSETS

	<u>2020</u> RM'000	<u>2019</u> RM'000
Other receivables, deposit and prepayments	9,766	9,668
	<u>9,766</u>	<u>9,668</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(c) PROPERTY, PLANT AND EQUIPMENT

	Office equipment and machinery RM'000	Computer equipment RM'000	Total RM'000
<u>2020</u>			
<u>Cost</u>			
At beginning of year/At end of year	6	23	29
<u>Accumulated Depreciation</u>			
At beginning of year/At end of year	6	23	29
<u>Net Book Value</u>			
As of 31 December 2020/ 31 December 2019	-	-	-

(d) INTANGIBLE ASSETS

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Computer Software</u>		
<u>Cost</u>		
At 1 January/31 December	41	41
<u>Accumulated amortisation</u>		
At 1 January	41	37
Amortisation for the year	-	4
	41	41
Net Book Value	-	-

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(e) DEPOSITS FROM CUSTOMERS

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>At Amortised Cost</u>		
Non-Mudharabah Fund		
Demand deposits	4,572	16,312
Commodity Murabahah	5,507	-
	<u>10,079</u>	<u>16,312</u>

(i) Maturity structure of Commodity Murabahah is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Due within six months	<u>5,507</u>	<u>-</u>

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
Business enterprises	2	8,552
Non-bank financial institutions	10,077	7,760
	<u>10,079</u>	<u>16,312</u>

(f) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS AND DEPOSITORS' FUNDS

	<u>2020</u> RM'000	<u>2019</u> RM'000
Money at call and deposit placement with financial institutions	401	587
Financial investments at FVOCI	-	138
	<u>401</u>	<u>725</u>
Amortisation of premium less accretion of discount	-	(9)
	<u>401</u>	<u>716</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(g) OTHER OPERATING INCOME

	<u>2020</u> RM'000	<u>2019</u> RM'000
Fee income:		
Other fee income	38	462
Gain arising from sale of:		
Financial investments at FVOCI	-	34
Foreign exchange		
- Unrealised loss	(10)	(16)
Others	1,010	547
	<u>1,038</u>	<u>1,027</u>

(h) OTHER OPERATING EXPENSES

	<u>2020</u> RM'000	<u>2019</u> RM'000
Personnel costs (Note i)	1,554	1,392
Establishment costs (Note ii)	119	114
Marketing expenses (Note iii)	5	35
Administration and general expenses (Note iv)	180	339
	<u>1,858</u>	<u>1,880</u>
(i) Personnel costs		
Salaries bonuses and allowance	1,245	1,059
Defined contribution retirement plan	213	193
Other staff related expenses	96	140
	<u>1,554</u>	<u>1,392</u>

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(h) OTHER OPERATING EXPENSES (CONTINUED)

(ii) Establishment costs

	<u>2020</u> RM'000	<u>2019</u> RM'000
Rental of premises	81	82
Information technology costs	16	-
Depreciation of property, plant and equipment	-	1
Amorlisation of intangible asset	-	4
Others	22	27
	<u>119</u>	<u>114</u>

(iii) Marketing expenses

Advertising	-	32
Others	5	3
	<u>5</u>	<u>35</u>

(iv) Administration and general expenses

Legal and professional fees	163	230
Communication and transportation	17	-
Others	-	109
	<u>180</u>	<u>339</u>

Included in administration and general expenses is the Shariah Committee's remuneration of RM159,000 (2019: RM223,000).

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(i) INCOME TAX EXPENSE

A numerical reconciliation of income tax expense to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	<u>2020</u> RM'000	<u>2019</u> RM'000
Loss before taxation	(476)	(430)
Taxation at Malaysian statutory tax rate of 24%	-	-

(j) CAPITAL ADEQUACY

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

	<u>2020</u> RM'000	<u>2019</u> RM'000
<u>Tier-1 capital</u>		
Paid-up share capital	26,850	26,850
Accumulated losses	(5,043)	(4,567)
	21,807	22,283
<u>Less: Regulatory adjustment</u>		
Intangible assets	-	-
Total Tier 1 capital	21,807	22,283
Total Capital base	21,807	22,283
<u>Capital Ratios</u>		
Common Equity Tier 1 Ratio	165.606%	169.144%
Tier 1 Capital Ratio	165.606%	169.144%
Total Capital Ratio	165.606%	169.144%

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

33. ISLAMIC BANKING WINDOW (CONTINUED)

(j) CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets by each major risk category is as follows:

	<u>Principal</u>	<u>Risk</u>	<u>Principal</u>	<u>Risk</u>
	<u>RM'000</u>	<u>weighted</u>	<u>RM'000</u>	<u>weighted</u>
		<u>assets</u>		<u>assets</u>
		<u>RM'000</u>		<u>RM'000</u>
<u>Risk weight</u>				
0%	19,694	-	23,973	-
100%	9,891	9,891	8,550	8,550
Credit risk		9,891		8,550
Market risk		1,941		2,133
Operational risk		1,336		2,491
Total risk-weighted assets		13,168		13,174

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR END

Significant Changes in Regulatory Requirements

Bank Negara Malaysia (“BNM”) letter on Additional Measures to assist Borrowers/Customers Affected by COVID-19 outbreak

On 24 March 2020, BNM issued a letter to all licensed banks and prescribed development financial institutions on additional measures to be implemented to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19. These measures include:

- (a) automatic moratorium on repayment/payment on loans/financing which is effective for a period of 6 months from 1 April 2020. In relation to any loan/financing that is granted a moratorium, converted or restructured or rescheduled:
- (i) the moratorium is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications;
 - (ii) the loans/financing need not be reported as rescheduled and restructured (“R&R”) in the Central Credit Reference Information System (“CCRIS”); and
 - (iii) the R&R loans/financing need not be classified as credit impaired in CCRIS.

The regulatory treatment above shall also apply to any requests for a moratorium or to reschedule and restructure received by banking institutions on or before 31 December 2020. In addition, the regulatory flexibilities specified in BNM’s announcement dated 28 February 2020 on *BNM’s Measures to Assist Businesses and Households Affected by the COVID-19 Outbreak* shall continue to be relevant where applicable.

- (b) lending/financing limits liberalised as follows:
- (i) requirements on lending/financing to the broad property sector, purchase of shares and units of unit trusts fund to be uplifted with immediate effect. However, exposures of banking institutions shall continue to comply with the policy documents Single Counterparty Exposure Limit (“SCEL”), *Credit Risk and Internal Capital Adequacy Assessment Process (Pillar 2)*; and
 - (ii) limit for exposures to counterparties that are connected to Tenaga Nasional Berhad, Petroliam Nasional Berhad and Telekom Malaysia Berhad based on economic dependence factors set out in the SCEL Policy Document, is temporarily increased from 25% to 35% of a banking institution’s total capital subject to the following;
 - the higher limit is only applicable for exposures acquired until 31 December 2021;
 - banking institutions must pare down any exposures in excess of 25% of total capital by 31 December 2022; and
 - banking institutions shall continue to ensure appropriate risk assessments, monitoring and independent review of exposures in line with the expectations set out in the policy document on *Credit Risk*.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

34. **SIGNIFICANT EVENT DURING THE FINANCIAL YEAR END (CONTINUED)**

Significant Changes in Regulatory Requirements (continued)

Bank Negara Malaysia (“BNM”) letter on Additional Measures to assist Borrowers/Customers Affected by COVID-19 outbreak (continued)

(c) drawdown of prudential buffers. Banking institutions are allowed during this period to:

- (i) drawdown the capital conservation buffer of 2.5%;
- (ii) operate below the minimum liquidity coverage ratio (“LCR”) of 100%; and
- (iii) reduce the regulatory reserves held against expected losses to 0%.

Banking institutions will be given reasonable time to rebuild their buffers after 31 December 2020 and restore their buffer to the minimum regulatory requirements by 30 September 2021, subject to public health concerns abating and economic conditions improving.

(d) lowering the minimum Net Stable Funding Ratio (“NSFR”) requirement to 80% when the requirement is effective on 1 July 2020 and increasing to 100% from 30 September 2021.

In the same letter, banking institutions are reminded to ensure that any forward-looking information used to incorporate the impact of COVID-19 on the ECL estimates is reasonable and supportable. Banking institutions should also appropriately reflect the temporary nature of the shock, and fully account for the economic and financial support measures that have been announced to mitigate the impact of COVID-19 on the economy. In particular, moratoriums provided to borrowers/customers should not automatically result in a stage transfer under MFRS 9 in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk.

The COVID-19 outbreak characterised by the World Health Organisation as a pandemic on 11 March 2020 as well as measures introduced by governments and regulators to tackle the outbreak have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy.

The impacts of the pandemic, mitigated by all countercyclical measures such as government and financial support to customers, mainly relate to expected credit losses and asset valuation. These impacts were estimated against a background of uncertainty about the magnitude of the impact of the outbreak on local and global economies.

Thus far the impact of COVID-19 on the Bank's results was minimal. Despite the fact, the Group has undertaken numerous reviews of the estimates and assumptions used in the FRS9 Expected Credit Loss model. Changes in the estimates and assumptions have resulted in slight increase in Expected Credit Loss for the Stage 1 portfolio. The Bank is not able to predict the COVID-19's potential future direct or indirect effects. However, the Bank remains vigilant in the performance of the credit portfolio and will take the necessary actions to mitigate any impact.

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR END (CONTINUED)

COVID-19 specific disclosures

- (i) Below are the exposures to COVID-19 impacted sectors

	<u>2020</u> RM'000
Oil and Gas/Hotels, tourism and leisure/ Retail trade (excluding food and e-commerce)/ Transport & Storage	<u>214,379</u>

Most of the accounts under the above mentioned sectors are in Stage 1 with exception to one account which is classified under stage 2.

- (ii) One of the Bank's customer has approached the Bank for relief and support measures. The request is being reviewed and assessed by Credit Committee.
- (iii) As the current MFRS 9 models are expected to generate sufficient levels of expected credit loss ("ECL") in view of the unprecedented and on-going COVID-19 pandemic, no overlays and post-model adjustments have been applied to overall level of ECLs for the year ended and as at 31 December 2020.

35. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of COVID-19 cases. The lockdown may have a negative impact on the Bank's results of operation, similar to the areas highlighted in Significant Events During the Financial Year End. The Bank is not able to predict the potential future direct or indirect effects resulted from the movement control order. However, the Bank is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

As per disclosed in COVID-19 related disclosure, the Bank received one request for relief and support measures, the request was subsequently approved by the Bank subsequent to the balance sheet date.

Registration No.


201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The Directors of BNP PARIBAS MALAYSIA BERHAD state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 December 2020 and of the financial performance and the cash flows of the Bank for the year ended on that date.

Signed in accordance with a resolution of the Directors,



WAFFID ALI MOHD KHALIL



DATO ABDULLAH MAT NOH

Kuala Lumpur
18 March 2021

Registration No.

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE
FOR THE FINANCIAL MANAGEMENT OF THE BANK

I, ANTHONY LO CHIANG LOONG, the Officer primarily responsible for the financial management of BNP PARIBAS MALAYSIA BERHAD, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



ANTHONY LO CHIANG LOONG

Subscribed and solemnly declared by the abovenamed ANTHONY LO CHIANG LOONG at KUALA LUMPUR this 18 March 2021.

Before me,



COMMISSIONER FOR OATHS

43, Leboh Ampang
50100 Kuala Lumpur