BASEL II PILLAR 3 REPORT

BNP PARIBAS MALAYSIA BERHAD
(COMPANY NO. 201001034168 (918091-T))
(INCORPORATED IN MALAYSIA)

31 DECEMBER 2020

INTRODUCTION

The Pillar 3 Disclosure as at 31st December 2020 for BNP Paribas Malaysia Berhad complies with the Bank Negara Malaysia's (BNM) "Risk Weighted Capital Adequacy Framework (RWCAF) – Disclosure Requirements (Pillar 3)", which is the equivalent of that issued by the Basel Committee on Banking Supervision (BCBS) entitled "International Convergence of Capital Measurement and Capital Standards" (commonly referred to as Basel II).

BNP Paribas Malaysia Berhad is a subsidiary of BNP Paribas Group ("the Group"). Details about strategies, processes and organization of risk management within BNP Paribas group as well as its capital adequacy can be found in its Pillar III disclosure, as part of its Registration Document, at: https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports".

1. SCOPE OF APPLICATION

The Pillar 3 Disclosures attached herewith relates only to BNP Paribas Malaysia Berhad ("the Bank"). BNP Paribas Malaysia Berhad is engaged in Corporate and Institutional Banking, including Islamic Banking Window ("IBW") business.

During the financial year, the Bank did not experience any restrictions or impediments in the transfer of funds or regulatory capital and did not report any capital deficiencies.

2. CAPITAL ADEQUACY

The Bank is adopting the following approaches to assess its regulatory capital requirements under BNM's RWCAF Pillar 1:

a) Credit risk (Standardised Approach);

b) Market risk (Standardised Approach); and

c) Operational risk (Basic Indicator Approach).

The Bank has implemented the Internal Capital Adequacy Assessment Process ("ICAAP") under BNM RWCAF Pillar 2, which is an internal assessment of the Bank's Risk Appetite and the adequacy of its capital supply in supporting current and future business activities. The aim of ICAAP is to ensure sufficient capital is available to absorb both regulatory capital requirements (i.e. Pillar 1 capital requirement) and any additional material risks inherent in the Bank's business activities.

The following table presents the minimum regulatory capital requirements to support the Bank's risk weighted assets.

31 December 2020	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,381,520	2,381,520	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	17,936	17,936	3,587	287
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	1,336,062	1,336,062	1,336,060	106,885
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	244,691	244,691	97,040	7,763
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
	3,980,209	**3,980,209**	**1,436,687**	**114,935**
b) Off-Balance Sheet Exposures*				
OTC Derivatives	876,281	876,281	382,806	30,624
Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	2,089,284	2,089,284	527,566	42,205
Defaulted Exposures	-	-	-	-
	2,965,565	2,965,565	910,372	72,830
	6,945,774	**6,945,774**	**2,347,059**	**187,765**
(ii) Large Exposures Risk Requirement	-	-	-	-
(iii) Market Risk		-	**1,868,985**	**149,519**
Interest Rate Risk	-	-	1,447,427	115,794
Foreign Currency Risk	-	-	342,827	27,426
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Option Risk	-	-	78,731	6,298
(iv) Operational Risk	-	-	**403,981**	**32,318**
(v) Total RWA and Capital Requirements	-	-	**4,620,025**	**369,602**

Note:

** Credit equivalent of off-balance sheet items*

Table 1: Risk-weighted Assets and Capital Requirements

31 December 2019	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk				
a) On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,366,393	2,366,393	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	22,756	22,756	4,551	364
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	1,186,602	1,186,602	1,186,602	94,928
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	75,579	75,579	59,865	4,789
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
	3,651,330	**3,651,330**	**1,251,018**	**100,081**
b) Off-Balance Sheet Exposures*				
OTC Derivatives	702,448	702,448	284,104	22,728
Credit Derivatives	26,780	26,780	5,356	429
Off balance sheet exposures other than OTC derivatives or credit derivatives	518,784	518,784	485,910	38,873
Defaulted Exposures	-	-	-	-
	1,248,012	1,248,012	775,370	62,030
	4,899,342	**4,899,342**	**2,026,388**	**162,111**
(ii) Large Exposures Risk Requirement	-	-	-	-
(iii) Market Risk		-	**1,657,388**	**132,591**
Interest Rate Risk	-	-	1,262,662	101,013
Foreign Currency Risk	-	-	179,123	14,330
Equity Risk	-	-	-	-
Commodity Risk	-	-	-	-
Inventory Risk	-	-	-	-
Option Risk	-	-	215,603	17,248
(iv) Operational Risk	-	-	**443,555**	**35,484**
(v) Total RWA and Capital Requirements	-	-	**4,127,331**	**330,186**

Note:
** Credit equivalent of off-balance sheet items*

Table 1: Risk-weighted Assets and Capital Requirements

3. CAPITAL STRUCTURE

For regulatory purposes, capital is categorised into Tier 1 and Tier 2 capitals which are described below:

Tier 1 Capital

Tier 1 capital comprises issued and fully paid-up capital, retained earnings, statutory reserve and the deduction of certain regulatory adjustments.

Tier 2 Capital

Tier 2 capital comprises collective assessment allowances and regulatory reserves.

The following table depicts the regulatory capital structure and capital adequacy ratios of the Bank:

	As at 31 December 2020 RM'000
Tier I capital:	
Paid-up share capital	650,000
Retained profits	223,911
Other disclosed reserves	6,554
	880,465
Less: Regulatory adjustments	
Intangible assets	(24)
Deferred tax assets	(3,416)
55% of cumulative gains of AFS Fin. Instruments	(3,605)
Eligible Tier I capital	873,420
Tier II capital:	
Expected credit losses	5,588
Regulatory Reserve	-
	5,588
Total capital base	879,008
Tier 1 capital ratio*	18.905%
Total capital ratio**	19.026%

** Minimum Tier 1 capital ratio is 4.5%.*
***Minimum total capital ratio is 8%.*
Table 2: Constituent of Eligible Capital and Capital Adequacy Ratios

	As at 31 December 2019 RM'000
Tier I capital:	
Paid-up share capital	650,000
Retained profits	125,086
IFRS Day 1 adjustments	-
Other disclosed reserves	1,618
	776,704
Less: Regulatory adjustments	
Intangible assets	(910)
Deferred tax assets	(3,721)
55% of cumulative gains of AFS Fin. Instruments	(890)
Eligible Tier I capital	771,183
Tier II capital:	
Expected credit losses	7,915
Regulatory Reserve	9,584
	17,499
Total capital base	788,682
Tier 1 capital ratio*	18.685%
Total capital ratio**	19.109%

** Minimum Tier 1 capital ratio is 4.5%.*

***Minimum total capital ratio is 8%.*

Table 2: Constituent of Eligible Capital and Capital Adequacy Ratios

4. RISK MANAGEMENT

Risk Management Framework

The Bank has formulated its Risk Appetite, targets and orientation in accordance with orientation set up by the Group.

The Board of Directors has ultimate responsibility for the governance of risk at the Bank. In this regard, the Board of Directors of the Bank is empowered to define its Risk Appetite and challenge Management to ensure that the Risk Appetite of the bank is reflective and appropriate to the size, complexity, capital and capabilities that are present and available. This is to ensure that the bank is able to manage risks arising from all activities undertaken by the subsidiary and is compliant to applicable laws and regulations.

Risk Governance

Committees has been established by the CEO and Country Management to oversee and approve key decisions affecting the business and Risk Appetite of BNPPMB amongst which are the Executive Risk Committee, Assets and Liabilities Committee (ALCO), Management Credit Committee and Transaction Approval Committee (TAC) and New Activity Validation Committee (NAC).

The Board of Directors are responsible to set the Risk Appetite of BNPPMB. The Risk Appetite also takes into consideration additional factors such as licensing and regulatory conditions, infrastructure and platform readiness, product complexities and the overall organization of internal controls.

A core mission of Corporate Credit Control is to guarantee the conformity of the authorizations put in place with the credit decisions made and the management of the risk data input into risk systems used in the control and reporting of credit risk, that credit risks taken by the Bank are monitored correctly and to provide appropriate risk reporting as required by the Board Risk Management Committee and Management Committees.

These organisational and qualitative factors are complemented with other quantitative measures such as prudential limits, regulatory solvency ratios, stress test reviews and others as deemed appropriate by the Board.

Products approved by the Board of Directors are reviewed and assessed to ensure that they are within the core expertise and business strategy of BNPPMB, specifically in Corporate and Institutional Banking (CIB); as well as within the defined Risk Appetite.

In addition to this, the Board of Directors approves limits and thresholds in the case of market risk limits and prudential limits thresholds to ensure that the risks are properly managed, monitored and reported.

The Board of Directors has the ultimate responsibility for the governance of risks at BNPPMB.

Outlined below are the roles and responsibilities of respective persons with regards to the risk management of the Bank:

a. Board of Directors

- Approve the Bank's overall risk strategy including Risk Appetite and oversee its implementation.
- Approve all major risk policies related to the Bank.

b. Board Risk Management Committee (BRMC):

- Ensure capital management policies are effectively integrated into the overall risk management framework.
- Recommend the Bank's overall risk strategy including Risk Appetite and oversee its implementation.
- Reviews and recommend the Bank's implementation of internal capital assessment and management which is aligned with the Bank's Risk Appetite and business plan.

c. Audit Committee:

- Receive and assess the results of all audits and independent reviews including those relating to any risk management topics.

d. Executive Risk Committee (ERC)

- Review and recommend risk management strategies, risk frameworks, risk policies, risk tolerance and Risk Appetite limits to the Board Risk Management Committee for endorsement,
- Ensure comprehensive risk identification and assessment
- Ensure that infrastructure, resources and systems are in place for effective risk management and monitoring,
- Review reports on the Bank's risk exposure, risk portfolio composition and risk management activities to ensure the consistency with the Bank's the Risk Appetite and business plan,

e. Asset & Liability Committee (ALCO):

- Ensure comprehensive assessment of capital adequacy is conducted at least annually or as and when it is required culminating in the internal capital level,
- Ensure effective monitoring of capital adequacy of the Bank to ensure compliance with both to regulatory and internal capital ratio,
- Review reports on the Bank's capital adequacy level,
- Receive reports on the Bank's risk exposure, risk portfolio composition and risk management activities to ensure the consistency with the Bank's the Risk Appetite and business plan.

f. Chief Executive Officer (CEO):

- Validates the 3 years budget and forecast proposed by Business line heads.

Risk Measurement

The risk measurement tools employed by the Bank are commonly used in market practices and commensurate with the size and complexity of the Bank's business operations.

Risk Reporting and Monitoring

The Management is responsible for timely monitoring and reporting of risk exposures against the established risk limits. There is a formal process for risk reporting to management and the ERC to facilitate the making of informed decisions and strategies.

5. CREDIT RISK

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

Credit risk should be seen as encompassing the following risks factors:

- Sovereign risk is the sum of all exposures to the central government and its various offshoots.
- Country risk is the sum of all exposures to obligors in a given country. Country risk reflects the Bank exposure to a given economic and political environment, which is taken into consideration when assessing counterparty quality. Country risk will not materialize as our bank strategy is for the Bank to be exposed mainly to domestic markets.
- Migration risk is the possible improvement or deterioration of borrower's credit standing, which migrates into another risk class or eventually default.

Risk Governance

On a regular basis Corporate Credit Control in liaison with CRO produces a summary of all the main credit exposures, together with any existing exceptions and report to the Executive Risk Committee and Board of Directors through the Board Risk Management Committee. In addition, there would be regular review of the local entity's credit or RWA concentration by ALCO, ERC and Board Risk Management Committee at the respective sittings.

Policies and Approaches

Credit risk is managed through a framework which covers the measurement, monitoring and management of credit risk. The objective of credit risk management is to ensure that the Bank's credit exposures are managed within the Bank's capacity to withstand potential financial losses.

Credit Risk Mitigation

Credit risk exposure is mitigated via preventive risk management measures in limiting the activities in accordance with the Bank's Risk Appetite and periodic monitoring of credit exposures. Credit applications are evaluated by the originating business units before independently evaluated by risk management team.

Credit reviews on the corporate borrowers is performed on regular basis to complement the risk identification, early warnings detection as well as in ensuring creditability and financial performance of the corporate where applicable to protect the Bank's position in debt recovery.

Risk Measurement

The Bank is adopting the Standardised Approach in calculating Credit Risk RWA.

For Credit Concentration Risk, a proposed industry concentration is set at predetermined percentage over total client assets and will serve as a management action trigger. Credit facilities within the same sector (exceeding the predetermined percentage) will be presented to the Board Risk Management Committee and Board for right of veto.

Risk Reporting and Monitoring

Risk reports are produced and monitored on a regular basis. Management reports are produced and deliberated at the Executive Risk Committee as well as the Board Risk Management Committee for the appropriate level of information, escalation and evaluation as part of the overall risk governance and oversight of the Board.

5.1. Distribution of Credit Exposures

(i) The following table depicts the geographical distribution of the Bank's credit exposures, based on the country of incorporation or residence:

31.12.2020

Exposure Class	Malaysia	United Kingdom	France	Hong Kong	Singapore	Others	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign / Central Bank	2,381,520	-	-	-	-	-	2,381,520
Banks	816	143	1,821	639	5,713	8,805	17,936
Corporates	1,336,062	-	-	-	-	-	1,336,062
Other Assets	244,692	-	-	-	-	-	244,692
Commitments and Contingency	2,848,957	-	19,872	630	5,556	90,551	2,965,566
	6,812,047	**143**	**21,693**	**1,269**	**11,269**	**99,355**	**6,945,775**

Table 3: Credit Exposures by Geographic Distribution

31.12.2019

Exposure Class	Malaysia	United Kingdom	France	Hong Kong	Singapore	Others	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign / Central Bank	2,389,148	-	-	-	-	-	2,389,148
Banks	-	-	-	-	-	-	-
Corporates	1,242,539	-	-	-	-	-	1,242,539
Other Assets	16,246	3,397	-	-	-	-	19,643
Commitments and Contingency	1,132,472	-	56,052	2,096	3,195	54,197	1,248,012
	4,780,405	**3,397**	**56,052**	**2,096**	**3,195**	**54,197**	**4,899,342**

Table 3: Credit Exposures by Geographic Distribution

(ii) The following table depicts the Bank's credit exposures by sector analysis or industrial distribution:

31.12.2020

Exposure Class	Govenrment & Central Banks	Finance Insurance & Business Services	Manufacturing	Contruction	Wholesale & Retail	Transport, Storage & Communication	Mining & Quarrying	Other Business Services	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign / Central Bank	2,381,520	-	-	-	-	-	-	-	2,381,520
Banks	-	17,936	-	-	-	-	-	-	17,936
Corporates	-	181,598	934,036	2,990	65,452	-	36,119	115,869	1,336,063
Other Assets	-	-	-	-	-	-	-	244,691	244,691
Commitments and Contingency		1,010,771	1,277,208	117,866	209,014	4,835	72,760	273,111	2,965,565
	2,381,520	**1,210,304**	**2,211,244**	**120,856**	**274,465**	**4,835**	**108,879**	**633,671**	**6,945,774**

Table 4: Credit Exposures by Sectorial Analysis or Industrial Distribution

31.12.2019

Exposure Class	Govenrment & Central Banks	Finance Insurance & Business Services	Manufacturing	Contruction	Wholesale & Retail	Transport, Storage & Communication	Mining & Quarrying	Other Business Services	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign / Central Bank	2,366,392	22,756	-	-	-	-	-	-	2,389,148
Banks	-	-	-	-	-	-	-	-	-
Corporates	-	-	884,086	9,986	28,205	-	10,273	309,989	1,242,539
Other Assets	-	-	-	-	-	-	-	19,643	19,643
Commitments and Contingency	-	696,534	357,296	64,711	19,045	1,794	14,905	93,727	1,248,012
	2,366,392	**719,290**	**1,241,382**	**74,697**	**47,250**	**1,794**	**25,178**	**423,359**	**4,899,342**

Table 4: Credit Exposures by Sectorial Analysis or Industrial Distribution

(iii) The following table depicts the Bank's credit exposures analysed by residual contractual maturity analysis:

31.12.2020

Exposure Class	Sovereign / Central Bank	Banks	Corporates	Other Assets	Commitments and Contingency	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 1 year	1,878,866	-	1,012,218	-	599,327	3,490,411
> 1 - 5 years	502,654	-	207,971	-	645,663	1,356,288
Over 5 years	-	-	115,874	-	184,935	300,809
No Specific Maturity	-	17,936	-	244,691	1,535,640	1,798,267
	2,381,520	**17,936**	**1,336,063**	**244,691**	**2,965,565**	**6,945,774**

Table 5: Credit Exposures by Residual Contractual Maturity Analysis

31.12.2019

Exposure Class	Sovereign / Central Bank	Banks	Corporates	Other Assets	Commitments and Contingency	Total On & Off Balance Sheet Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 1 year	2,084,464	-	1,186,602	-	698,541	3,969,607
> 1 - 5 years	284,634	-	-	-	502,290	786,924
Over 5 years	-	-	-	-	47,181	47,181
No Specific Maturity	20,051	-	55,937	19,642	-	95,630
	2,389,149	**-**	**1,242,539**	**19,642**	**1,248,012**	**4,899,342**

Table 5: Credit Exposures by Residual Contractual Maturity Analysis

5.2. Past Due and Impaired Loans, Advances and Financing

Loans are considered as past due once contractually agreed payments are due from the customers.

Impaired exposures comprise loans, advances and financing where individual identified impairment allowance has been raised. Impairment allowances are provisions in the Statement of Financial Position as a result of the charge against income statement for the incurred loss in the loans, advances and financing. An impairment allowance can be individually or collectively assessed.

The Bank assesses at each balance sheet date whether there is objective evidence that loans, advances and financing are impaired. Regular reviews are conducted to determine whether there is objective evidence of impairment on individual assessment.

For the loss allowance on financial investments, the Bank applied the MFRS9 'Financial Instruments' for the first time for the financial year beginning 1 Jan 2018. The new methodology is subject to a minimum loss allowance for non-credit impaired exposures & regulatory reserves of 1% of total credit exposures net of loss allowance for credit impaired exposure, in accordance with BNM requirements.

There is no past-due and impaired loans, advances and financing recorded for the Bank.

5.3. Credit Risk Assessment under Standardised Approach

In the assessment of credit risk under the Standardised Approach, the Bank uses ratings assigned by recognised External Credit Assessment Institutions ("ECAIs") in determining risk weight for certain exposure classes and are recognised by BNM in RWCAF.

The Bank uses ratings assigned by the following ECAIs:

a) Standard & Poor's Rating Services ("S&P");
b) Moody's Investors Service ("Moody's");
c) Fitch Ratings ("Fitch");
d) RAM Rating Services Berhad (RAM)

In general, the rating specific to the credit exposure is used i.e. the issuer rating. Each exposure class above must be assigned with rating in order to determine the risk weight percentage. If more than one rating is available for a specific counterparty, the selection criteria as set out under the Single and Multiple Assessment in BNM RWCAF are applied in determining relevant risk weight for the capital calculation. Where a rating is not available, the Bank follows the provisions stipulated under BNM RWCAF and deems the exposures as unrated.

(i) Credit Exposure by Risk Weights

The following table depicts the credit risk exposure of the Bank by risk weight:

31 December 2020	Exposures after Netting and Credit Risk Mitigation													
	Sovereigns & Central Banks	PSEs	Banks,MDBs and FDIs	Insurance Cos, Securities & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk Weights														
0%	2,381,520	-	-	-	1,535,640	-	-	-	-	-	-	-	3,917,160	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	575,618	-	-	-	-	-	184,564	-	-	-	760,182	152,036
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	146,818	-	-	-	-	-	-	-	-	-	146,818	73,409
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	61,037	2,000,450	-	-	-	60,127	-	-	-	2,121,614	2,121,614
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,381,520**	**-**	**722,436**	**61,037**	**3,536,090**	**-**	**-**	**-**	**244,691**	**-**	**-**	**-**	**6,945,774**	**2,347,059**

Table 6: Credit Risk Exposure by Risk Weight

31 December 2019	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks,MDBs and FDIs	Insurance Cos, Securities & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
Risk Weights														
0%	2,366,393	-	-	-	-	-	-	-	-	-	-	-	2,366,393	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	597,675	-	-	-	-	-	19,643	-	-	-	617,318	123,464
35%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	25,414	-	-	-	-	-	-	-	-	-	25,414	12,707
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	32,108	1,802,174	-	-	-	55,935	-	-	-	1,890,217	1,890,217
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,366,393**	**-**	**623,089**	**32,108**	**1,802,174**	**-**	**-**	**-**	**75,578**	**-**	**-**	**-**	**4,899,342**	**2,026,388**

Table 6: Credit Risk Exposure by Risk Weight

(ii) Credit Exposure by Risk Weight

The following is summary of rules governing the assignment of risk weights under the Standardised Approach.

Rating Category	External Credit Assessment Institution (ECAI)				
	S&P	Moody's	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ & below	Caa1 & below	CCC+ & below	C1 & below	C+ & below

Table 7: Long Term Credit Rating Category by External Credit Assessment Institution under Standardised Approach

5.4. Credit Risk Mitigation Techniques under Standardised Approach

Credit risk mitigation in the form of acceptable collateral which may be bespoke in nature according to transaction and/or counterparty but shall always observe the following principles:

- Collateral must be of a high quality
- Liquid and/or availability of market price
- Unencumbered and legally enforceable.

5.5. Off-Balance Sheet Exposure and Counterparty Credit Risk

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts (i.e. Over-The-Counter - OTC) which potentially expose the Bank to the risk of default of the counterparty faced. The amount of this risk (referred as "exposure" in the rest of the document) may vary over time in line with market parameters which impact the value of the relevant market transactions.

Credit risk arising from derivative transaction can be mitigated in several ways, including the use of:

a) Collateral, which may be liquidated immediately and used to satisfy the counterparty's obligations to the Bank upon closeout; and
b) Netting, which gives the Bank the right to close out and net all transactions under market standard master netting agreements.

The following table depicts disclosure of off-balance sheet and counterparty credit risk:

31 December 2020	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	375,527	-	375,527	349,449
Transaction related contingent Items	-	-	-	-
Short Term Self Liquidating trade related contingencies	6,904	-	1,382	1,382
Assets Sold with Recourse	-	-	-	-
Forward Asset Purchases	-	-	-	-
Obligations under an on-going underwriting agreement	-	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transaction	-	-	-	-
Foreign exchange related contracts				
One year or less	48,467,361	732,490	306,080	186,128
Over one year to five years	2,161,244	28,278	86,793	38,910
Over five years	17,000	132	-	-
Interest/Profit rate related contracts				
One year or less	13,308,092	18,792	14,908	6,770
Over one year to five years	31,127,563	442,456	411,800	122,625
Over five years	1,459,071	44,408	56,700	28,373
Equity related contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Gold and Other Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other Commodity Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	290,264	3,429	-	-
Over one year to five years	620,940	26,308	-	-
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	353,470	-	176,735	176,735
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,535,640	-	1,535,640	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortisation provisions	-	-	-	-
	99,723,076	**1,296,293**	**2,965,565**	**910,372**

Table 8: Off-Balance Sheet and Counterparty Credit Risk

31 December 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	387,830	-	387,830	354,956
Transaction related contingent Items	-	-	-	-
Short Term Self Liquidating trade related contingencies	1,006	-	201	201
Assets Sold with Recourse	-	-	-	-
Forward Asset Purchases	-	-	-	-
Obligations under an on-going underwriting agreement	-	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transaction	-	-	-	-
Foreign exchange related contracts				
One year or less	54,493,027	296,970	328,000	154,062
Over one year to five years	1,157,092	11,286	46,656	34,995
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	10,016,250	8,698	8,635	2,687
Over one year to five years	21,849,881	93,067	271,976	76,221
Over five years	1,113,118	18,625	47,181	16,139
Equity related contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Gold and Other Precious Metal Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other Commodity Contracts				
One year or less	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	78,229	-	534	107
Over one year to five years	994,711	30,796	26,246	5,249
Over five years	-	-	-	-
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	261,504	-	130,753	130,752
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-	-	-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortisation provisions	-	-	-	-
	90,352,648	**459,442**	**1,248,012**	**775,369**

Table 8: Off-Balance Sheet and Counterparty Credit Risk

6. 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, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, 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 analyses, non-ascertainable in the market.

Market 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.

Market risk should be seen as encompassing the following risks factors:

- Foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates,
- Interest rate risk in trading book is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates,
- Equity risk arises from changes in the market prices and volatilities of equity shares and/or equity indices,
- Commodity risk arises from changes in the market prices and volatilities of commodities and/or commodity indices,
- Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer,
- Option risk is the exposure to any and all of the various type of market risk which can be significantly magnified by the presence of explicit or embedded options in instruments and portfolios.

Risk Governance

The Executive Risk Committee ("ERC") and Asset & Liability Committee ("ALCO") supports the BRMC in the market and liquidity risk management oversight. These committees reviews the Bank's market and liquidity risk management framework and policies, aligns risk management with business strategies and planning and recommends actions to ensure that the risk remains within established risk tolerance level.

Policies and Approaches

The market risk framework of the Bank establishes the base standards on management of market and liquidity risks that sets out policies at a more detailed level.

Risk Measurement

Overarching internal market Risk Appetite will be governed by the entity level VaR limit which will be reviewed by the Board Risk Management Committee from time to time.

In addition, based on the approved interest rate and fx delta market risk limits, the maximum market risk capital charge based on the Standardised Approach is determined internally for Interest Rate Risk, Foreign Exchange and Option Risk.

For Credit Trading activities, reference entity credit rating below a certain rating will require specific approval from the relevant Transaction or Management Committee as well as Board Risk Management Committee, to be approved and endorsed by the Board.

Risk Reporting and Monitoring

With regard to Market Risk Monitoring, Risk-Global Markets monitors the risks from two business lines: Global Markets ("GM") and Asset and Liability Management –Treasury ("ALMT").

Global Markets- Foreign Exchange, Credit, Interest Rate hedging
- Structured derivatives and investment products
- Debt Capital Market issuances and underwriting

Asset and Liability Management and Treasury
- Banking Book

Risk-Global Markets produces daily market risk limit monitoring reports. Each report will compare end of trading day risk utilizations with the limits defined for each of the trading activities.

Regulatory Capital Treatment

The Bank is adopting the Standardised Approach in calculating market risk RWA.

The following table depicts disclosure of market risk capital requirements:

	31 December 2020	31 December 2019
Capital charge requirement for (MYR'000):	Standardised Approach	Standardised Approach
Interest rate risk	115,794	101,013
Foreign Exchange risk	27,426	14,330
Options	6,298	17,248
Total capital requirement	149,518	132,591

Market risk related to banking activities

- Equity risk in the banking book

  There is no Equity Risk in the banking book recorded for the Bank.

- Interest rate risk in the banking book

  Interest Rate Risk in the Banking Book (IRRBB) is the risk of incurring a loss as a result of mismatches in interest rates, maturities or nature between assets and liabilities. For banking activities, IRRBB arises in non-trading portfolios and primarily relates to global interest rate risk.

  Interest rate risk in the Banking Book for the Bank is monitored and kept within defined bounds. It is managed at local level under the supervision of the Group. The Bank monitors and assesses the Interest Rate risk in the banking book exposures through the earnings and the economic value perspectives. The earnings perspective focuses on the impact of interest or benchmark rate changes on near-term earnings while the economic value perspective focuses on the impact of interest or benchmark rate changes on the present value of the bank's long-term net cash flow. The two approaches provide different but complementary perspectives on the possible impact of interest or benchmark rates movements on a banking institution's financial position.

The following table depicts the sensitivity of the Bank's positions in banking book to interest rate changes:

As at 31 December 2020	Increase / (Decline) 200 basis points (Parallel Shift)
Impact on Earnings (RM '000)	
MYR	20,965
USD	2,340
Others	(10,427)
Total	**12,878**
Impact on Economic Value (RM '000)	
MYR	14,213
USD	(9,476)
Others	(1,927)
Total	**2,810**

7. 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 fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risk related to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputation risks.

Risk Governance

Operational Permanent Control ("OPC") comprises two headcounts reporting locally to the COO and has oversight responsibility over all the operational risks management activities of the bank through the coordination with the Regional Operations Permanent Control which provide support to BNP Paribas Malaysia Berhad. OPC main tasks include:

- Managing the implementation of all aspects of operational permanent control, including implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks;
- Assisting in the development of and manage processes to identify and evaluate operational areas' risks and risk and control self-assessments;
- Assisting in the process for developing risk policies and procedures;
- Monitoring and closing all operational risk issues.

Policies and Approaches

The following policies adopted in managing the Bank's operational risk:

Permanent Control Operational Risk Measurement and Management Applicable Organizational Framework for CIB;
CIB Instructions for Historical Operational Risk Incidents Management; and
CIB Instructions for the escalation of fraud to CIB Compliance & Control.

Risk Measurement

Controls

The Bank manages operational risk based on a Group-wide consistent framework that enables us to determine our operational Risk Appetite in comparison to our local Risk Appetite and to define local risk mitigating measures and priorities. The Bank applies the following techniques and tools to efficiently manage the operational risk:

- Perform Risk Assessment bottom-up ''self-assessments'' resulting in a specific operational Risk Appetite for the back office operations, middle office operations and supporting departments highlighting the areas with potential risk.
- Capture operational controls and test steps in the bank's tool "ORUS" Operations Risk monitoring unified system for the monthly control of control checking.
- Operational incidents are captured in the bank's tool the bank's tool "360" Incident Reporting System database.
- Operational incidents are updated at the monthly Executive Risk Committee and quarterly Board Risk Management Committee.
- Audit recommendations action plan are tracked and closed.

Risk Reporting and Monitoring

Exception reports will be produced on a regular basis, highlighting material operational risk related issues to ERC and BRMC for risk monitoring and appropriate level of management decision making.

Regulatory Capital Treatment

The Bank is adopting the Basic Indicator Approach in calculating the operational risk RWA.