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 2021

0291A2/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 2021

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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 2021.

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' Mohamed Khadar Bin Merican (appointed on 1.03.2021)
Yves Maurice Guy Marie Drieux
Joris Maria A. Dierckx
Vijayam Nadarajah
Faisal bin Ismail
Dato Abdullah Mat Noh (retired on 22.03.2021)
Jean-Pierre Roger Beno Bernard (retired on 22.03.2021)
Chia Seng Leng (retired on 03.09.2021)
Wahid Ali Mohd Khalil (resigned w.e.f 01.03.2022)

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	1,312
Income tax expense	(576)
Profit for the year	736

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.

REPORT OF THE DIRECTORS (CONTINUED)

EVENT SIGNIFICANT TO THE FINANCIAL YEAR

Event significant to the financial year 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 24 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.

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:

	No. of ordinary shares of EUR2 each			
	As at 1.1.2021	Acquired	Disposed	As at Date of retirement/ 31.12.2021
Shares in the ultimate holding company, BNP Paribas S.A.				
Jean-Pierre Roger Beno Bernard	6,196	-	-	6,196
Chia Seng Leng	3,450	-	-	3,450

DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

	No. of units			
	Balance as of 1.1.2021	Granted	Disposed	Balance as of Date of retirement/ 31.12.2021
Units in Corporate Mutual Fund in the ultimate holding company, BNP Paribas S. A.				
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

At the forthcoming Annual General Meeting ("AGM") to be held in financial year 2022, a final single tier dividend of 0.113 sen per ordinary share amounting to RM734,500 (final dividend) in respect of the financial year ended 31 December 2021 will be proposed for shareholder's approval.

The single-tier final dividend was approved by the Board of Directors on 8 June 2022.The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder will be accounted for in equity as an appropriation of retained earnings in the financial year ended 31 December 2022.

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.

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 RM16,592 (2020: RM8,304).

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.

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 other than those disclosed in Note 35; 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 other than those disclosed in Note 35.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 24 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 2021

FY 2021 proved to be a challenging year for the Bank. The projected recovery (from Covid19) failed to materialise and the lockdown during the year gave rise to more uncertainty and increased market volatility. Client activities declined further (as compared to previous year).

The easing of the containment measures in Q4 resulted in Malaysia's Gross Domestic Product ('GDP') to grow by 3.1% in 2021 as compared to a contraction of 5.6% in 2020. The rebound was aided by recovery in the labour market as well as continued policy support. BNM maintained its OPR rate at 1.75% throughout the year to lessen the economic impact on businesses and household activities.

On the back of the challenging economic environment, the Bank registered profit after tax of RM0.7 million compared to RM89.2 million in 2020. Whilst the Bank was able to maintain revenue for lending activities and its bond portfolio, Global Market's ("GM") business was significantly affected. Credit quality of the loan portfolio continue to improve, with a write back of RM3.0 million for the year. Operating expenses (excluding transfer pricing charges) was RM4.5 million (or 6.3%) lower than previous year mainly due to effective cost management.

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.

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

Outlook 2022

Overall the economy grew by 3.1% for 2021 and unemployment rate declined to 4.6%. Malaysia's GDP growth is forecasted between 5.5% to 6.5% in 2022, in line with International Monetary Fund and World Bank projections. Drivers for the recovery are expected to come from the increase in global demand, higher private sector expenditure and major investments in private and public sectors. The roll-out of the Covid-19 booster vaccination programme, normalisation in economic and social activities, and reopening of country's borders would further strengthen the economic growth.

The Bank is optimistic and foresees that there would be growth in deposits, loans, trade finance and GM activities as sentiments improve.

The Bank as a whole remains focused in supporting its clients, providing tailored financial solutions during this period of recovery.

RATINGS BY AN EXTERNAL RATING AGENCY

Rating Agency	Date of rating	Rating Received
Rating Agency Malaysia ('RAM')	20 Sept 2021	Long Term – AA1 Short Term – P1 Outlook - Stable

Rating classification description

RAM Ratings has upgraded BNP Paribas Malaysia Berhad's long term financial institution rating from AA2 to AA1, with a stable outlook. Concurrently RAM Ratings has reaffirmed the Bank's short term P1 rating. 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.

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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 8 June 2022. Signed on behalf of the Board of Directors:

FAISAL BIN ISMAIL DIRECTOR	DATO' MOHAMED KHADAR BIN MERICAN DIRECTOR

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201001034168 (918091-T)

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 serves 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').

In relation to the Bank's Islamic Finance business, 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 2021, 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.

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

In our opinion, for the financial year ended 31 December 2021, 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.

Dr Sa'id Adekunle Mikail
(Interim Chairman)

Dr Nurul Aini Muhamed (appointed on 1.10.2021)
(Member)

pwc

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 2021, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 142.

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.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BNP PARIBAS MALAYSIA BERHAD (CONTINUED)
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<u>Information other than the financial statements and auditors' report thereon</u>

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.

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.

<u>Responsibilities of the Directors for the financial statements</u>

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.

<u>Auditors' responsibilities for the audit of the financial statements</u>

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.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LEE TZE WOON KELVIN
03482/01/2024 J
Chartered Accountant

Kuala Lumpur
8 June 2022

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	5	1,435,996	1,072,884
Reverse repurchase agreements		314,632	974,678
Financial assets at fair value through profit or loss ("FVTPL")	6	444,422	413,967
Financial assets at fair value through other comprehensive income ("FVOCI")	7	1,191,901	1,335,231
Loans, advances and financing	8	1,301,885	1,338,407
Derivative financial assets	9	706,669	1,296,293
Other assets	10	70,565	195,077
Property, plant and equipment	11	4,778	7,532
Intangible assets	12	-	24
Tax recoverable		13,788	7,717
Deferred tax assets	13	3,596	3,416
TOTAL ASSETS		5,488,232	6,645,226
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	14	2,142,425	2,300,820
Deposits and placements of banks and other financial institutions	15	416,102	840,883
Repurchase agreements		-	285,353
Derivative financial liabilities	9	552,740	1,111,173
Other liabilities	16	1,112,035	1,226,532
Subordinated term loan	17	387,635	-
TOTAL LIABILITIES		4,610,937	5,764,761
Share capital	18	650,000	650,000
Retained profits		210,278	223,911
Reserves	19	17,017	6,554
SHAREHOLDER'S EQUITY		877,295	880,465
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		5,488,232	6,645,226
COMMITMENTS AND CONTINGENCIES	30	106,033,085	98,187,436

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

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BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Interest income	21	100,667	123,293
Interest income for financial assets at FVTPL	21	35,950	25,543
Interest expense	22	(22,884)	(31,178)
Net interest income		113,733	117,658
Net income from Islamic banking business	34	468	344
		114,201	118,002
Other operating (losses)/income	23	(38,682)	102,786
Other operating expenses	24	(77,239)	(105,117)
Expected credit losses	25	3,032	2,563
Profit before tax		1,312	118,234
Income tax expense	26	(576)	(28,993)
Profit for the year		736	89,241
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income			
• Net changes in fair value		(4,799)	4,936
Net change in cash flow hedge		893	-
Other comprehensive (loss)/income		(3,906)	4,936
Total comprehensive (loss)/income		(3,170)	94,177

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 2021

	Share capital RM'000	Hedging reserve RM'000	Regulatory reserve RM'000	Revaluation reserve-financial assets at FVOCI RM'000	Retained profits RM'000	Total RM'000
At 1 January 2021	650,000	-	-	6,554	223,911	880,465
Profit for the year	-	-	-	-	736	736
Transfer to regulatory reserve	-	-	14,369	-	(14,369)	-
Other comprehensive income	-	893	-	(4,799)	-	(3,906)
At 31 December 2021	650,000	893	14,369	1,755	210,278	877,295
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

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

BNP PARIBAS MALAYSIA BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIALYEAR ENDED 31 DECEMBER 2021

	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,312	118,234
Adjustment for:		
Unrealised loss/(gain) on derivative financial instrument	35,916	(125,715)
Unrealised loss on financial assets at FVTPL	196	222
Unrealised loss/(gain) on foreign exchange	49,732	(44,310)
Unrealised loss/(gain) on reverse repurchase agreements	348	(387)
Realised (gain)/loss on repurchase agreements	(313)	330
Amortisation of premium less accretion of discount	14,622	7,748
Realised gain on financial assets at FVOCI	-	(9,560)
Interest income on financial assets at FVOCI	(41,676)	(40,012)
Depreciation of property, plant and equipment	3,139	2,575
Amortisation of intangible assets	24	886
Expected credit losses write back for impairment on loans, advances and financing	(3,032)	(2,563)
Operating profit/(loss) before working capital changes	60,268	(92,552)
(Increase)/Decrease in:		
Reverse repurchase agreements	659,698	(974,291)
Financial assets at FVTPL	(30,651)	(313,956)
Loans, advances and financing	39,554	(145,957)
Property, plant and equipment	461	1,121
Other assets	124,513	(166,005)
Increase/(Decrease) in:		
Deposit from customers	(158,395)	662,083
Deposit and placements of banks and other financial institution	(424,781)	(99,539)
Derivative financial assets/liabilities	(53,564)	13,270
Repurchase agreements	(285,040)	285,023
Subordinated term loan	499	-
Other liabilities	(112,420)	829,150
Cash used in operating activities	(179,858)	(1,653)
Income tax paid	(5,312)	(22,446)
Net cash used in operating activities	(185,170)	(24,099)

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(848)	(1,522)
Interest income on financial assets at FVOCI		44,468	37,151
Net sale/(purchase) of financial assets at FVOCI		119,603	(368,113)
Net cash generated from/(used in) investing activities		163,223	(332,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated term loan		387,137	-
Payment for lease liabilities		(2,078)	(2,169)
Net cash generated from/(used in) financing activities		385,059	(2,169)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		363,112	(358,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,072,884	1,431,636
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,435,996	1,072,884
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	5	1,435,996	1,072,884

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Changes in liabilities arising from financing activities as following:

		Cash changes	Non-cash changes		
	As at 01.01.2021 RM'000	Net Cash Flows from Financing Activities RM'000	Lease modification RM'000	Interest Expense RM'000	As at 31.12.2021 RM'000
Lease	4,913	(2,078)	(462)	114	2,487

		Cash changes	Non-cash changes		
	As at 01.01.2021 RM'000	Net Cash Flows from Financing Activities RM'000	Foreign exchange movement RM'000	Accrued interest RM'000	As at 31.12.2021 RM'000
Subordinated term loan	-	387,137	-	498	387,635

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 8 June 2022.

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.

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 2021:

- Amendments to MFRS16 "COVID-19-Related Rent Concessions"
- Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16 "Interest Rate Benchmark Reform – Phase2"

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank. The Bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting the amendments to published standards.

The nature of the new amendments to published standards relevant to the Bank are described below:

(i) Amendments to MFRS 16 COVID-19 'Related Rent Concessions'

On adoption of the MFRS 16 amendment, the Bank is not required to assess whether a rent concession for payments due on or before 30 June 2021 that occurs as a direct consequence of the COVID-19 pandemic and meets specified conditions is a lease modification.

The Bank accounts for such COVID-19 related rent concessions as a variable lease payment occurs.

In accordance with transitional provisions provided in the MFRS 16 amendment, the comparative information for December 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16. The cumulative effects or initially applying the MFRS 16 amendment were adjusted against retained earnings as at 1 January 2021.

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 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16 "Interest Rate Benchmark Reform – Phase2"

The Phase 1 amendments, which were effective on 1 January 2020, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of interbank offered rate ("IBOR") reform.

The Phase 2 amendments address issues that arise from the implementation of thereforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide practical expedient allowing entities to update the effective interest rate (for instruments measured at amortised cost and lessee to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in the income statements.

The Phase 2 amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

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 2022. None of these is expected to have a significant effect on the financial statements of the Bank.

(i) 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.

(ii) Amendments to MFRS 16 'Proceeds before intended use' (effective 1 January 2022)

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

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

The amendments shall be applied retrospectively.

(iii) Amendments to MFRS 137 'Onerous contracts' (effective 1 January 2022)

The amendments explain that the direct cost of fulfilling a contract for the purpose of determining the unavoidable costs of meeting the Bank's contractual obligations comprises the incremental costs of fulfilling that contract (e.g direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g an allocation of the depreciation charge for an asset used to fulfill the contract). The amendments also clarify that, before a separate provision for an onerous contract is established, the Bank recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

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 (continued)

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

It clarifies that a liability is classified as non-current if the Bank has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the Bank complying with specified conditions (e.g debt covenants), the right exists at the end of the reporting period only if the Bank complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

The amendments shall be applied retrospectively and is not expected to result in any impact as the Bank presents all assets and liabilities in the statements of financial position in order of liquidity.

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

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

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.

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.

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, 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 32 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.

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 32 Fair value of financial assets and liabilities.

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.

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.

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.

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.

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.

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.

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, trade and other payables, other liabilities, and subordinated term loan 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Derivative financial instruments and hedge accounting

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 comprehensive 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 comprehensive income immediately.

The Bank designate certain derivatives to manage its exposure to foreign currency and interest rate risks. The instruments used included interest rate swap, and cross currency interest rate swap. 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 the statement of comprehensive income at the time of the hedge relationship rebalancing.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Derivative financial instruments and hedge accounting (continued)

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within 'gain/(loss) on derivatives trading'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

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.

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.

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.

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.

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.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L Interest Rate Benchmark Reform

The Bank has applied the the following Phase 1 reliefs provided by the Amendments to MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

- When considering the 'highly probable' requirement, the Bank has assumed that the IBOR interest rate on which the Bank's hedged borrowings is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Bank has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the cross currency interest rate swap that hedges it are based is not altered by IBOR reform.
- The Bank has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.
- Hedge accounting is not discontinued when the retrospective hedge effectiveness test for a hedging relationship falls outside the required 80-125% range as a result of the IBOR reform.

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 32;
- 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

	2021 RM'000	2020 RM'000
At amortised cost:		
Cash and balances with banks and other financial institutions	95,062	29,608
Money at call and deposit placements maturing within one month	1,340,934	1,043,276
	1,435,996	1,072,884

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

	2021 RM'000	2020 RM'000
At Fair Value:		
Government securities:		
Malaysian Government Securities	227,080	381,477
Malaysian Government Investment Issues	217,342	32,490
	444,422	413,967

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

	2021 RM'000	2020 RM'000
At Fair Value:		
Government securities:		
Malaysian Government Securities	133,642	311,624
Malaysian Government Investment Issues	432,069	422,248
Bank Negara Malaysia Debt Securities	626,190	601,359
	1,191,901	1,335,231

8. LOANS, ADVANCES AND FINANCING

	2021 RM'000	2020 RM'000
At Amortised Cost:		
(i) By type		
Revolving credit	519,699	827,750
Term loans	627,039	376,129
Trust receipts	4,910	10,330
Overdrafts	20,959	7,544
Factoring receivables	131,849	121,550
Gross loans, advances and financing^	1,304,456	1,343,303
Less: Expected Credit Losses ('ECL')	(2,571)	(4,896)
Net loans, advances and financing	1,301,885	1,338,407

Note ^: Included in the loans, funding extended to BNP Paribas Najmah (an Islamic Banking window in the Bank) under Profit Sharing Investment Account (PSIA) amounting to RM30.02 million (FY2020: RM nil). The PSIA is a contract based on the Wakalah principle.

	2021 RM'000	2020 RM'000
(ii) By type of customer		
Domestic business enterprises	1,274,434	1,323,534
Domestic non-bank financial institutions	30,022	-
Financial institutions	-	19,769
	1,304,456	1,343,303
(iii) By interest rate		
Variable rate:		
Cost plus	1,286,409	1,343,303
Fixed rate	18,047	-
	1,304,456	1,343,303
(iv) By residual contractual maturity		
Maturing within one year	830,755	1,015,886
More than one year to five years	252,332	211,467
More than five years	221,369	115,950
	1,304,456	1,343,303

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

	2021 RM'000	2020 RM'000
(i) By geographical distribution		
In Malaysia	1,304,456	1,343,303
(ii) By Sector		
Manufacturing	663,410	940,551
Mining and quarrying	12,782	36,157
Construction	2,000	3,000
Wholesale and retail	139,673	135,956
Financial services	30,022	19,769
Electricity, gas and water	221,369	115,950
Transport, storage and communication	153,338	-
Other business services	73,853	82,530
Real estate activities	8,009	9,390
	1,304,456	1,343,303

(iii) 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
2021				
Balance at beginning of financial year	2,310	2,586	-	4,896
Change in credit risk	(14)	14	-	-
Allowance made/(written-back) during the financial year	(110)	(1,382)	-	(1,492)
Derecognised during the financial year	(798)	(35)	-	(833)
Balance at end of financial year	1,388	1,183	-	2,571

	2021
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	1%

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

(iii) 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
2020				
Balance at beginning of financial year	1,168	4,603	-	5,771
Change in credit risk	49	(49)	-	-
Allowance made/(written-back) 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	2,310	2,586	-	4,896

	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.

8. LOANS, ADVANCES AND FINANCING (CONTINUED)

(iv) 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
2021				
Balance at beginning of financial year	1,240,718	102,585	-	1,343,303
Change in credit risk	(2,000)	2,000	-	-
Purchases and origination	480,178	501	-	480,679
Derecognised during the financial year	(497,186)	(22,340)	-	(519,526)
Balance at end of financial year	1,221,710	82,746	-	1,304,456

	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
2020				
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	1,240,718	102,585	-	1,343,303

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.

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

			2021
	Notional RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss			
Foreign exchange derivatives:			
Currency forwards	25,924,437	118,227	(124,255)
Currency swaps	34,731,442	139,585	(192,551)
Currency options	96	-	(1)
Currency spot	59,480	30	(11)
Interest rate derivatives:			
Interest rate swaps	43,946,080	357,128	(153,756)
Bond forwards	160,000	80,566	(80,566)
Cap and floor	387,137	500	-
Credit derivatives:			
Credit default swaps	507,842	10,633	(1,600)
Total derivative assets/(liabilities)	105,716,514	706,669	(552,740)

			2020
	Notional RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss			
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)	97,451,535	1,296,293	(1,111,173)

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.

Fair Value Hedge

Fair value hedges are used by the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movement of market interest rates. The Bank use cross currency swaps and interest rate swaps to hedge against interest rate risk of financial assets measured at FVOCI.

At the inception of the hedge, the Bank prepares formal documentation which details the hedging relationship, identifying the instrument, or portion of the instrument, or portion of risk that is being hedged, the hedging strategy and the type of risk hedged, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship. The Bank will perform assessment by comparing the changes in fair value of the hedge to changes in the fair value of the derivative.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The interest rate risk component is determined as the changes in fair value of long term fixed rate financial investment (e.g.bonds, loans, advances and financing) arising from changes in benchmarks rates such as 3-month KLIBOR, 3-month USD LIBOR, and 6-month USD LIBOR. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Bank establish the hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item. The Bank have identified the following possible sources of ineffectiveness:

- Counterparty credit risk which impact the fair value of the interest rate swaps but not the hedged items; and

- Mismatches in terms of the hedged items and hedging instruments such as voluntary discontinuance, maturity date and disposal of hedged item.

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedge (continued)

The table below summarises the derivatives financial instruments entered by the Bank which are all used as hedging instruments in fair value hedges:

			2021
	Notional	Assets	Liabilities
	RM'000	RM'000	RM'000
Foreign exchange and interest rate derivatives:			
Interest rate swaps	4,907,271	97,624	(13,116)
Cross Currency swaps	777,045	1,405	(3,938)

The following table sets out the maturity profile and average price of the hedging instrument used in fair value hedge:

2021	Nominal amount RM'000	Average fixed interest rate %
Interest rate swap		
Up to one year	1,223,200	3.37
One to five years	3,080,000	3.37
More than 5 years	604,071	4.30
Cross currency swap		
Up to one year	419,125	-
One to five years	357,920	2.98
More than 5 years	-	-

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Notional	Assets	Liabilities	Hedge ineffectiveness recognised In income statement	Nominal amount directly impacted by IBOR reform
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Interest Rate Risk					
Interest rate swap	4,907,271	97,624	(13,116)	(1)	4,907,271
Cross currency swap	777,045	1,405	(3,938)	32	777,045

* The hedging instrument is included in the derivative asset and derivative liabilities line item in the statement of financial position.

9 DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedge (continued)

The amounts relating to items designated as hedged items are as follows:

	Carrying Value	Fair Value Hedge Adjustments	Hedge effectiveness recognised in income statement
	RM'000	RM'000	RM'000
2021			
Financial assets at FVOCI	133,684	4,771	(3,774)

Cash Flow Hedge

The Bank's cash flow hedges principally consist of cross currency interest rate swap that is used to protect against exposures to variability in future interest cash flows on interest incurring liabilities. The amount and timing of the interest cash flows, are projected on the basis of their contractual terms and other relevant factors, including estimates of renewal of interest incurring liabilities.

The aggregate projected interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges to forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to statement of comprehensive income when the forecast cash flows affect the statement of comprehensive income. The hedging relationship was highly effective for the total hedging period and as of the reporting date.

9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Cash Flow Hedge (continued)

The table below summarises the derivatives financial instruments entered by the Bank which is all used as hedging instrument in cash flow hedge:

	2021		
	Nominal RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives:			
Cross currency swaps	408,171	-	(21,434)

2021	Nominal amount RM'000	Average fixed interest rate %
Cross currency swap		
Up to one year	-	-
One to five years	408,171	-
More than 5 years	-	-

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	Notional RM'000	Assets RM'000	Liabilities RM'000	Hedge ineffectiveness recognised in income Statement RM'000	Nominal Amount directly impacted by IBOR Reform RM'000
2021					
Foreign Exchange Risk					
Cross currency swap	408,171	-	(21,434)	1,730	408,171

The amount relating to item designated as hedged item is a subordinated term loan disclosed in Note 17.

10. OTHER ASSETS

	2021 RM'000	2020 RM'000
Collateral assets	62,008	184,563
Other receivables	6,959	8,631
Deposit	812	812
Prepayments	786	1,071
	70,565	195,077

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

11. PROPERTY, PLANT AND EQUIPMENT

	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
2021								
Cost								
At beginning of year	378	4,256	1,855	7,914	15	-	12,397	26,815
Additions	26	-	-	815	6	-	-	847
Write-off	-	-	-	-	(15)	-	-	(15)
Lease modification	-	-	-	-	-	-	(462)	(462)
At end of year	404	4,256	1,855	8,729	6	-	11,935	27,185

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (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
2021								
Accumulated depreciation								
At beginning of year	258	4,200	1,725	5,513	15	-	7,572	19,283
Charge for the year	37	28	81	1,011	1	-	1,981	3,139
Write-off	-	-	-	-	(15)	-	-	(15)
At end of year	295	4,228	1,806	6,524	1	-	9,553	22,407
Net Book Value								
As of 31 December 2021	109	28	49	2,205	5	-	2,382	4,778

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (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
2020								
Cost								
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

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
2020								
Accumulated depreciation								
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
Net Book Value								
As of 31 December 2020	120	56	130	2,401	-	-	4,825	7,532

12. INTANGIBLE ASSETS

	2021 RM'000	2020 RM'000
Computer Software		
Cost		
At 1 January/31 December	3,090	3,090
Accumulated amortisation		
At 1 January	3,066	2,180
Amortisation for the year	24	886
At 31 December	3,090	3,066
Net book value	-	24

13. DEFERRED TAX ASSETS/(LIABILITIES)

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

	2021 RM'000	2020 RM'000
Deferred Tax Assets	4,151	5,486
Deferred Tax Liabilities	(555)	(2,070)
At 31 December	3,596	3,416

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.

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 assets at FVOCI RM'000	Provisions RM'000	Total RM'000
2021					
At 1 January		339	(2,070)	5,147	3,416
Charged to profit or loss	26	(189)	-	(1,146)	(1,335)
Credited to other comprehensive income		-	1,515	-	1,515
At 31 December		150	(555)	4,001	3,596
2020					
At 1 January		287	(511)	3,945	3,721
Charged to profit or loss	26	52	-	1,202	1,254
Credited to other comprehensive income		-	(1,559)	-	(1,559)
At 31 December		339	(2,070)	5,147	3,416

14. DEPOSITS FROM CUSTOMERS

	2021 RM'000	2020 RM'000
At Amortised Cost:		
Demand deposits	1,627,014	1,409,123
Fixed deposits	515,411	886,190
Commodity Murabahah	-	5,507
	2,142,425	2,300,820

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

	2021 RM'000	2020 RM'000
Due within six months	512,650	887,209
Six months to one year	2,708	4,488
One year to three years	53	-
	515,411	891,697

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

	2021 RM'000	2020 RM'000
Business enterprises	2,117,609	2,278,943
Non-bank financial institutions	24,816	21,877
	2,142,425	2,300,820

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 RM'000	2020 RM'000
At Amortised Cost:		
Other financial institutions	416,102	840,883

16. OTHER LIABILITIES

	2021 RM'000	2020 RM'000
Collateral deposits	1,057,583	1,151,905
Other payables	35,846	50,330
Accruals and charges	15,899	18,692
Allowance for impairment losses on loan commitment and financial guarantee	220	692
Lease liabilities	2,487	4,913
	1,112,035	1,226,532

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:

	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
2021				
Balance at beginning of financial year	194	498	-	692
Changes in credit risk	(2)	2	-	-
Allowance written-back during the financial year	(71)	(401)	-	(472)
Balance at end of financial year	121	99	-	220

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
2020				
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	194	498	-	692

17. SUBORDINATED TERM LOAN

	2021 RM'000	2020 RM'000
EUR 82.0 million subordinated term loan	387,635	-

On 28 July 2021, the Bank issued EUR 82.0 million subordinated term loan bearing a floating interest rate of 3M EURIBOR + 123 bps per annum. The subordinated term loan is repayable in full on 28 July 2031.

The EUR 82.0 million subordinated term loan qualifies as Tier II capital under BNM's Basel III Capital Adequacy Framework (Capital Components).

BNPPMB has undertaken cash flow hedge on the currency risk of the EUR 82.0 million using cross currency swaps.

18. SHARE CAPITAL

	2021		2020	
	No of Ordinary Shares '000	RM '000	No of Ordinary Shares '000	RM '000
Ordinary shares issued and fully paid				
At 31 December	650,000	650,000	650,000	650,000

19. RESERVES

	2021 RM'000	2020 RM'000
Non-distributable:		
Revaluation reserve-financial investments at FVOCI (Note a)	1,755	6,554
Regulatory reserve (Note b)	14,369	-
Hedging reserve (Note c)	893	-
	17,017	6,554

(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.

(c) Hedging reserve

The hedging reserve are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

20. DIVIDEND

	2021 RM'000	2020 RM'000
Proposed but not recognised as a liability		
In respect of financial year ended 31 December 2021		
Final single tier dividend of 0.113 sen per ordinary share on 650,000,000	735	-

21. INTEREST INCOME

	2021 RM'000	2020 RM'000
Loans and advances	30,026	41,049
Money at call and deposit placements with financial institutions	22,410	31,650
Financial assets at FVOCI	41,676	40,012
Financial assets at FVTPL	35,950	25,543
Reverse repurchase agreements	15,986	16,719
Other interest income	5,191	1,611
	151,239	156,584
Amortisation of premium less accretion of discount	(14,622)	(7,748)
	136,617	148,836

22. INTEREST EXPENSE

	2021 RM'000	2020 RM'000
Deposits from customers	16,457	23,331
Deposits and placements of banks and other financial institutions	(4,040)	2,040
Repurchase agreements	1,143	493
Lease liabilities	114	174
Subordinated term loan	1,210	-
Other interest expense	8,000	5,140
	22,884	31,178

23. OTHER OPERATING INCOME

	2021 RM'000	2020 RM'000
Fee income:		
Commissions	216	142
Guarantee fee	1,450	1,686
Other fee income:		
Advisory fees	104	-
Arrangement fees	301	797
Other fees	1,593	2,145
	3,664	4,770
Gain/(loss) arising from sale of:		
Financial assets at FVTPL	(29,394)	24,096
Financial investments at FVOCI	-	9,560
(Loss)/gain on derivatives trading:		
Realised	32,936	(59,818)
Unrealised	(37,645)	125,715
Unrealised loss on revaluation of financial assets:		
FVTPL	(196)	(222)
Net loss arising from hedging activities	(2,015)	-
Unrealised (loss)/gain on reverse repurchase agreements	(348)	387
Realised gain/(loss) on repurchase agreements	313	(330)
Other income:		
Foreign exchange:		
Realised gain/(loss)	36,638	(55,388)
Unrealised (loss)/gain	(49,732)	44,310
Others	7,097	9,706
	(38,682)	102,786

24. OTHER OPERATING EXPENSES

	2021 RM'000	2020 RM'000
Personnel costs (Note a)	42,700	48,826
Establishment costs (Note b)	18,020	16,242
Marketing expenses (Note c)	424	367
Administration and general expenses (Note d)	16,095	39,682
	77,239	105,117

(a) Personnel costs

	2021 RM'000	2020 RM'000
Salaries, bonuses and allowance	32,095	36,865
Defined contribution plan	5,169	5,738
Social security cost	141	340
Other staff related expenses	5,295	5,883
	42,700	48,826

(b) Establishment costs

	2021 RM'000	2020 RM'000
Information technology costs	7,649	9,088
Depreciation of property, plant and equipment (Note 11)	3,139	2,575
Amortisation of intangible asset (Note 12)	24	886
Others	7,208	3,693
	18,020	16,242

(c) Marketing expenses

	2021 RM'000	2020 RM'000
Advertising	56	70
Others	368	297
	424	367

(d) Administration and general expenses

	2021 RM'000	2020 RM'000
Legal and professional fees	1,144	2,460
Communication and transportation	920	950
Other general expenses	14,031	36,272
	16,095	39,682

24. OTHER OPERATING EXPENSES (CONTINUED)

Included in the above expenditure are the following statutory disclosures:

	2021 RM'000	2020 RM'000
Directors' remuneration	1,006	1,179
Auditors' remuneration:		
Statutory audit	396	380
Others	25	140

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

	Fees RM'000	Other allowances RM'000	Bonuses RM'000	Benefits in kind RM'000	Total RM'000
2021					
Non-executive Directors	1,001	5	-	-	1,006
2020					
Non-executive Directors	1,177	2	-	-	1,179

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:

	2021 RM'000	2020 RM'000
Chief Executive Officer		
Anthony Lo	2,342	2,250
Non-Executive Directors*		
Dato Abdullah Mat Noh	100	400
Dato' Mohamed Khadar Bin Merican	274	-
Halim Haji Din	-	100
Jean-Pierre Roger Beno Bernard	30	122
Yves Maurice Guy Marie Drieux	116	122
Wahid Ali bin Mohd Khalil	140	136
Chia Seng Leng	76	122
Vijayam a/p Nadarajah	135	134
Faisal bin Ismail	135	43
	3,348	3,429

*The remuneration is net of tax.

25. EXPECTED CREDIT LOSSES

	2021 RM'000	2020 RM'000
Expected credit losses:		
Allowance written back during the financial year	(3,032)	(2,563)
Written back during the financial year:		
Loans, advances and financing	(2,594)	(1,031)
Other financial assets	(438)	(1,532)
	(3,032)	(2,563)

26. INCOME TAX EXPENSE

	2021 RM'000	2020 RM'000
Current tax:		
Current year	-	30,071
(Over)/Under provision in prior years	(759)	176
	(759)	30,247
Deferred tax (Note 13)		
Origination and reversal of temporary differences	907	(1,339)
Recognition and reversal of prior years' temporary differences	428	85
	1,335	(1,254)
Income tax expenses	576	28,993

26. 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:

	2021 RM'000	2020 RM'000
Profit before tax	1,312	118,234
Taxation at Malaysian statutory tax rate of 24%	315	28,376
Tax effects of:		
Expenses not deductible for tax purposes	592	356
(Over)/Under provision in prior years	(759)	176
Recognition and reversal of prior years' temporary differences	428	85
	576	28,993

27. 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:

Name of related parties	Relationship
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

27. 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:

	2021 RM'000	2020 RM'000
Income:		
Other interest	2	8
Fee Income	226	238
Gain on derivatives trading	21,473	24,580
Recharges from intercompany	7,283	5,913
Others operating income	119	200
Expense:		
Interest on deposits and placements of banks and other financial institutions	(4,386)	1,527
Interest on Commodity Murabahah deposits	80	57
Interest on demand deposits	7	31
Interest on fixed deposits	138	128
Interest on repurchase agreements	1,143	493
Interest on subordinated term loan	1,210	-
Other interest	643	1,934
Other intercompany charges	10,480	33,896
Other staff related expenses	672	621
Information technology costs	5,508	6,275
Other establishment cost	5,970	2,817
Other general expenses	1,350	276

(b) Related party balances

	Ultimate holding company RM'000	Related parties RM'000
2021		
Assets		
Cash and short term funds	9,546	14,148
Derivative financial assets	204,528	15,652
Other assets	4	6,830
	214,078	36,630

27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

	Ultimate holding company RM'000	Related parties RM'000
2021 (continued)		
Liabilities		
Deposits from customers	-	26,745
Deposit and placements of banks and other financial institutions	93,089	260,302
Subordinated term loan	387,636	-
Derivative financial liabilities	144,597	5,927
Other liabilities	871,993	8,254
	1,497,315	301,228
2020		
Assets		
Cash and short term funds	3,890	3,804
Derivative financial assets	563,018	44,682
Other assets	-	1
	566,908	48,487
Liabilities		
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
	1,489,165	864,950

27. 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:

	2021 RM'000	2020 RM'000
Salaries and other short term employee benefits	10,091	9,921
Post-employment benefits:		
Defined contribution plan	1,247	1,008
	11,338	10,929

27. 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 2021:

	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on derivatives and collateral RM'000	Interest on repurchase agreements RM'000	Interest on subordinated term loan RM'000	Intercompany recharges RM'000	Other services RM'000	Total RM'000
Services provided by geographical							
France	43	643	1,143	1,210	13,747	33	16,819
Hong Kong	32	-	-	-	2,928	23	2,983
Singapore	(4,822)	-	-	-	6,318	-	1,496
India	-	-	-	-	603	-	603
United States	341	-	-	-	-	243	584
	(4,406)	643	1,143	1,210	23,596	299	22,485

27. 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:

	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on derivatives and collateral RM'000	Interest on repurchase agreements RM'000	Interest on subordinated term loan RM'000	Intercompany recharges RM'000	Other services RM'000	Total RM'000
Services provided by geographical							
France	42	1,934	492	-	33,904	54	36,426
Hong Kong	28	-	-	-	1,985	26	2,039
Singapore	1,193	-	-	-	6,929	-	8,122
India	-	-	-	-	314	-	314
United States	251	-	-	-	-	183	434
	1,514	1,934	492	-	43,132	263	47,335

28. 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:

	2021 RM'000	2020 RM'000
Future minimum rental payments:		
Not later than 1 year	354	384
Later than 1 year and not later than 5 years	270	563
	624	947

29. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2021 RM'000	2020 RM'000
Outstanding credit exposures with connected parties	296,496	104,327
Total credit exposures	2,450,352	2,773,228
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposures	12.10%	3.76%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

30. COMMITMENTS AND CONTINGENCIES

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

	2021 Principal amount RM'000	2020 Principal amount RM'000
Direct credit substitutes	295,283	375,527
Short term self liquidating trade related contingencies	723	6,904
Irrevocable commitments to extend credit:		
Maturity up to one year	-	-
Maturity more than one year	20,565	353,470
Total credit related commitment and contingencies	316,571	735,901
Foreign exchange derivatives:		
One year or less	57,925,295	48,467,361
Over one year to five years	2,216,232	2,161,244
Over five years	573,928	17,000
Interest rate derivatives:		
One year or less	13,592,483	13,308,092
Over one year to five years	28,981,380	31,127,563
Over five years	1,919,354	1,459,071
Credit derivatives:		
One year or less	43,598	290,264
Over one year to five years	464,244	620,940
Total treasury related commitment and contingencies	105,716,514	97,451,535
Total commitment and contingencies	106,033,085	98,187,436

31. 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.

31. 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.

31. 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.

31. 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').

31. 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.

31. 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 contact 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).

31. 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.

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	5	1,435,996	1,072,884
Reverse repurchase agreements		314,632	974,678
Financial assets at FVTPL	6	444,442	413,967
Financial investments at FVOCI	7	1,191,901	1,335,231
Loans, advances and financing*	8	1,304,456	1,343,303
Derivative financial assets	9	706,669	1,296,293
Other asset**	10	68,967	193,194
Total asset		5,467,063	6,629,550
Commitments and contingencies		1,145,896	1,429,925
Total credit exposure		6,612,959	8,059,475

* Excludes expected credit losses allowance amounting to RM2,571,000 (2020: RM4,896,000).
** Other assets exclude prepayment and refundable deposits amounting to RM1,598,000 (2020: RM1,883,000)

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.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as of 31 December 2021:

	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 RM'000	Commitments and contigencies RM'000
Concentration risk by industry sectors									
Government and central banks	1,352,107	10,037	444,422	1,191,901	-	3,289	786	3,002,542	-
Manufacturing	-	-	-	-	663,410	20,736	15	684,161	240,682
Mining and quarrying	-	-	-	-	12,782	364	-	13,146	21,213
Finance, insurance and business services	83,889	304,595	-	-	30,022	672,664	61,242	1,152,412	775,737
Electricity, gas and water	-	-	-	-	221,369	5,834	-	227,203	43,201
Construction	-	-	-	-	2,000	1,342	-	3,342	16,696
Wholesale and retail	-	-	-	-	139,673	1,687	3	141,363	38,221
Real estate	-	-	-	-	8,009	-	-	8,009	-
Transport, storage and communication	-	-	-	-	153,338	474	-	153,812	6,607
Other business services	-	-	-	-	73,853	279	6,921	81,053	3,539
	1,435,996	314,632	444,422	1,191,901	1,304,456	706,669	68,967	5,467,043	1,145,896

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as of 31 December 2021: (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 RM'000	Commitments and contigencies RM'000
Concentration risk by geographical sectors									
Malaysia	1,352,956	314,632	444,422	1,191,901	1,304,456	398,215	68,958	5,075,540	1,054,963
United Kingdom	4,320	-	-	-	-	478	-	4,798	218
France	9,546	-	-	-	-	290,251	-	299,797	13,825
Hong Kong	4,333	-	-	-	-	151	-	4,484	1,954
Singapore	12,227	-	-	-	-	7,572	-	19,799	3,722
Thailand	-	-	-	-	-	-	-	-	-
Others	52,614	-	-	-	-	10,002	9	62,625	71,214
	1,435,996	314,632	444,422	1,191,901	1,304,456	706,669	68,967	5,467,043	1,145,896

* Excludes expected credit losses amounting to RM2,571,000 (2020: RM4,896,000).
** Other assets exclude prepayment and refundable deposits amounting to RM1,598,000 (2020: RM1,883,000)

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.

31. 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 RM'000	Commitments and contigencies 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	277,228
Mining and quarrying	-	-	-	-	36,157	3,326	-	39,483	42,060
Finance, insurance and business services	17,936	888,563	-	-	19,769	1,254,016	193,194	2,373,478	803,853
Construction	-	-	-	-	3,000	1,170	-	4,170	29,161
Wholesale and retail	-	-	-	-	65,575	3,651	-	69,226	36,546
Real estate	-	-	-	-	80,511	-	-	80,511	-
Transport, storage and communication	-	-	-	-	-	199	-	199	1,295
Other business services	-	-	-	-	197,740	13,556	-	211,296	239,782
	1,072,884	974,678	413,967	1,335,231	1,343,303	1,296,293	193,194	6,629,550	1,429,925

31. 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 RM'000	Commitments and contigencies 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	1,329,681
United Kingdom	143	-	-	-	-	20,218	-	20,361	-
France	1,821	-	-	-	-	568,257	-	570,078	19,872
Hong Kong	639	-	-	-	-	9,997	-	10,636	630
Singapore	5,713	-	-	-	-	3,809	-	9,522	5,556
Thailand	15	-	-	-	-	7,952	-	7,967	-
Others	8,790	-	-	-	-	465	-	9,255	74,186
	1,072,884	974,678	413,967	1,335,231	1,343,303	1,296,293	193,194	6,629,550	1,429,925

* Excludes expected credit losses amounting to RM2,571,000 (2020: RM4,896,000).
** Other assets exclude prepayment and refundable deposits amounting to RM1,598,000 (2020 RM1,883,000)
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.

31. 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 Unsecure Rating'.

BNP Paribas Ratings		Long-term Issuer/Unsecure 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-
10+	Substandard	Caa1	CCC+	CCC+
		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			

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	**1,435,996**	**-**	**-**	**1,435,996**
1-	*23,699*	*-*	*-*	*23,699*
2+	*46,891*	*-*	*-*	*46,891*
2	*205*	*-*	*-*	*205*
2-	*1,352,124*	*-*	*-*	*1,352,124*
3+	*850*	*-*	*-*	*850*
3	*12,227*	*-*	*-*	*12,227*
Reverse repurchase agreements	**314,632**	**-**	**-**	**314,632**
2-	*10,037*	*-*		*10,037*
4+	*304,595*	*-*		*304,595*
Financial assets at FVTPL	**444,422**	**-**	**-**	**444,422**
2-	*444,422*	*-*	*-*	*444,422*
Financial investments at FVOCI	**1,191,901**	**-**	**-**	**1,191,901**
2-	*1,191,901*	*-*	*-*	*1,191,901*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Loans advances and financing*	**1,221,710**	**82,746**	-	**1,304,456**
3	*90,463*	-	-	*90,463*
3-	*245,045*	-	-	*245,045*
4	*105,565*	-	-	*105,565*
4-	*10,609*	-	-	*10,609*
5+	*225,875*	-	-	*225,875*
5	*101,939*	*2,501*	-	*104,440*
5-	*15,108*	-	-	*15,108*
6+	*63,918*	-	-	*63,918*
6	*6,022*	-	-	*6,022*
6-	*47,447*	*72,236*	-	*119,683*
7+	*155,429*	-	-	*155,429*
7	*33,861*	-	-	*33,861*
7-	*118,404*	-	-	*118,404*
8+	*2,025*	-	-	*2,025*
8	-	*8,009*	-	*8,009*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	**706,669**	-	-	**706,669**
1-	*216,714*	-	-	*216,714*
2-	*97,323*	-	-	*97,323*
3+	*143,599*	-	-	*143,599*
3	*16,952*	-	-	*16,952*
3-	*33,073*	-	-	*33,073*
4+	*59,482*	-	-	*59,482*
4	*21,317*	-	-	*21,317*
4-	*8,132*	-	-	*8,132*
5+	*80,457*	-	-	*80,457*
5	*1,257*	-	-	*1,257*
5-	*23,021*	-	-	*23,021*
6+	*427*	-	-	*427*
6	*654*	-	-	*654*
6-	*151*	-	-	*151*
7+	*506*	-	-	*506*
7	*186*	-	-	*186*
Unrated	*3,418*	-	-	*3,418*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2021			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RM'000	RM'000	RM'000	RM'000
Other asset	**68,967**	-	-	**68,967**
1-	*9*	-	-	*9*
2-	*786*	-	-	*786*
3+	*18,961*	-	-	*18,961*
3	*18,082*	-	-	*18,082*
3-	*7,660*	-	-	*7,660*
4+	*12,890*	-	-	*12,890*
5+	*2,565*	-	-	*2,565*
5	*3*	-	-	*3*
6+	*1,080*	-	-	*1,080*
Unrated	*6,931*	-	-	*6,931*
Gross carrying amount	**5,384,297**	**82,746**	-	**5,467,043**
Less: ECL	(1,388)	(1,183)	-	(2,571)
Net carrying amount	**5,382,909**	**81,563**	-	**5,464,472**

* Excludes expected credit losses amounting to RM2,571,000 (2020: RM4,896,000).
** Other assets exclude prepayment and refundable deposits amounting to RM1,598,000 (2020: RM1,883,000)

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.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RM'000	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*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2020			
	ECL Staging			
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL RM'000	Stage 3 Lifetime ECL RM'000	Total 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*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RM'000	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*
Unrated	*13,096*	-	-	*13,096*

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Credit quality of financial assets (continued)

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	RM'000	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 RM2,571,000 (2020: RM4,896,000).
** Other assets exclude prepayment and refundable deposits amounting to RM1,598,000 (2020: RM1,883,000)

31. 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.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Sensitivity analysis (continued)

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:

	2021	
	Increase/(Decrease) in %	Increase/(Decrease) in ECL
		RM'000
Optimistic	+ 1.5%	(887)
Adverse	- 1.5%	1,978

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:

	2021		
Scenarios	Changes in weightage		Increase in ECL
	Adverse (%)	Optimist (%)	RM'000
1	+ 5%	- 5%	114
2	+10%	-10%	246
3	+15%	-15%	379

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.

31 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:

	2020	
	Increase/(Decrease) in %	Increase/(Decrease) in ECL
		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:

	2020		
Scenarios	Changes in weightage		Increase in ECL
	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.

31. 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 date 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.

31. 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 RM2,934,153 (2020: RM6,121,964). 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.

	2021 RM'mil	2020 RM'mil
Aggregate VaR	2.9	6.1

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 RM8,192,540 (2020: RM9,414,732) while the minimum VaR during the year is RM1,521,329 (2020: RM1,928,770).

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.

31. 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 2021:

	Non-trading book							
	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	Trading book RM'000	Non interest sensitive RM'000	Total RM'000
2021								
Financial assets								
Cash and short-term funds	1,435,162	-	-	-	-	-	834	1,435,996
Reverse repurchase agreement	-	-	-	-	-	311,711	2,921	314,632
Financial assets at FVTPL	-	-	-	-	-	444,422	-	444,422
Financial investments at FVOCI	417,527	248,847	131,179	388,643	-	-	5,705	1,191,901
Loans, advances and financing	527,437	396,117	379,122	-	-	-	(791)	1,301,885
Derivatives financial assets	-	-	-	-	-	706,669	-	706,669
Other assets	-	-	-	-	-	-	68,967	68,967
Total financial assets	2,380,126	644,964	510,301	388,643	-	1,462,802	77,636	5,464,472

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

31. 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 2021: (continued)

	Non-trading book							
	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	Trading book RM'000	Non interest sensitive RM'000	Total RM'000
2021								
Financial liabilities								
Deposit from customers	1,984,281	145,040	12,739	53	-	-	312	2,142,425
Deposit and placements of banks and other financial institutions	409,663	6,400	-	-	-	-	39	416,102
Derivative financial liabilities	-	-	-	-	-	552,740	-	552,740
Subordinated term loan	-	-	-	-	387,137	-	498	387,635
Other liabilities	-	-	-	-	-	-	1,112,035	1,112,035
Total financial liabilities	2,393,944	151,440	12,739	53	387,137	552,740	1,112,884	4,610,937
Net interest rate gap	(13,818)	493,524	497,562	388,590	(387,137)	910,062	(1,035,248)	853,535

31. 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							
	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	Trading book RM'000	Non interest sensitive RM'000	Total RM'000
2020								
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

31. 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							
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	Trading book RM'000	Non interest sensitive RM'000	Total RM'000
Financial liabilities								
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

31. 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:

	31 December 2021		31 December 2020	
	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 profit (after tax)	4,443	(4,443)	(1,992)	1,992

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.

31. 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:

	31 December 2021		31 December 2020	
	Increase/(Decrease)		Increase/(Decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to revaluation reserve-financial investments through other comprehensive income	(18,314)	18,314	(22,073)	22,073

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.

31. 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
2021							
Assets							
Cash and short-term funds	1,435,996	-	-	-	-	-	1,435,996
Reverse repurchase agreements	10,037	-	304,595	-	-	-	314,632
Financial assets at FVTPL	-	-	-	248,524	195,898	-	444,422
Financial investments at FVOCI	417,527	249,229	132,941	392,204	-	-	1,191,901
Loan, advances and financing	463,925	155,616	209,647	251,389	221,308	-	1,301,885
Derivative financial assets	90,860	108,053	71,952	272,943	162,861	-	706,669
Other assets	-	-	-	-	-	68,967	68,967
Total Assets	2,418,345	512,898	719,135	1,165,060	580,067	68,967	5,464,472

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

31. 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	1,984,434	145,145	12,793	53	-	-	2,142,425
Deposit and placement of banks and other financial institutions	409,666	6,436	-	-	-	-	416,102
Derivative financial liabilities	92,564	69,527	127,218	155,250	108,181	-	552,740
Subordinated term loan	-	-	-	-	387,635	-	387,635
Other liabilities	-	-	-	-	-	1,112,035	1,112,035
Total Liabilities	2,486,664	221,108	140,011	155,303	495,816	1,112,035	4,610,937
Net Liquidity Gap	(68,319)	291,790	579,124	1,009,757	84,251	(1,043,068)	853,535

31. 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
2020							
Assets							
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

31. 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	2,228,757	67,537	4,526	-	-	-	2,300,820
Deposit and placement of banks and other financial institutions	839,379	501	1,003	-	-	-	840,883
Repurchase agreements	-	-	285,353	-	-	-	285,353
Derivative financial liabilities	251,299	213,021	365,615	266,754	14,484	-	1,111,173
Other liabilities	-	-	-	-	-	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

31. 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.

	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
2021							
Non-derivative financial liabilities							
Deposits from customers	1,984,549	145,495	12,887	53	-	-	2,142,985
Deposit and placement of banks and other financial institutions	350,786	4,421	-	-	-	-	355,207
Other liabilities	-	-	-	-	-	1,112,035	1,112,035
Total Liabilities	2,335,335	149,916	12,887	53	-	1,112,035	3,610,227
2020							
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

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

2021	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
Items not recognised in the Statement of Financial Position							
Financial guarantees	29,344	81,121	98,126	85,692	1,000	-	295,283
Net-settled derivatives	(1,850)	(1,172)	(11,053)	(122,022)	(19,259)	-	(155,356)
Gross-settled derivatives							
- Receipt	9,609,698	10,248,200	11,269,067	1,129,622	330,805	-	32,587,392
- Payments	(9,702,511)	(10,330,600)	(11,405,769)	(1,166,736)	(411,373)	-	(33,016,989)
	(94,663)	(83,572)	(147,755)	(159,136)	(99,827)	-	(584,953)

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

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
Items not recognised in the Statement of Financial Position							
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							
- Receipt	8,870,333	6,415,263	8,822,730	1,196,903	-	-	25,305,229
- Payments	(9,120,279)	(6,627,113)	(9,191,221)	(1,263,083)	-	-	(26,201,696)
	(250,003)	(217,610)	(412,958)	(275,230)	(14,484)	-	(1,170,285)

31. 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.

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(f) Currency Risk (continued)

	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
2021					
Assets					
Cash and short-term funds	1,352,956	4,696	9,508	68,836	1,435,996
Reverse repurchase agreements	314,632	-	-	-	314,632
Financial assets at FVTPL	444,422	-	-	-	444,422
Financial investments at FVOCI	565,711	626,190	-	-	1,191,901
Loans, advances and financing	998,314	282,086	21,485	-	1,301,885
Derivative financial assets	573,936	115,549	10,133	7,051	706,669
Other assets	47,297	21,670	-	-	68,967
Total Assets	4,297,268	1,050,191	41,126	75,887	5,464,472
Liabilities					
Deposits from customers	1,260,733	787,867	37,992	55,833	2,142,425
Deposits and placements of banks and other financial institutions	51,590	364,444	-	68	416,102
Derivative financial liabilities	363,754	130,737	47,818	10,431	552,740
Other liabilities	118,646	985,061	4,898	3,430	1,112,035
Subordinated term loan	-	-	387,635	-	387,635
Total Liabilities	1,794,723	2,268,109	478,343	69,762	4,610,937
Currency gap	2,502,545	(1,217,918)	(437,217)	6,125	

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(f) Currency Risk (continued)

	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
2020					
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)	

31. 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:

	31 December 2021 (Decrease)/Increase		31 December 2020 (Decrease)/Increase	
	1% appreciation in foreign currency RM'000	1% depreciation in foreign currency RM'000	1% appreciation in foreign currency RM'000	1% depreciation in foreign currency RM'000
Impact to profit (after tax)	(12,532)	12,532	(15,951)	15,951

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.

31. 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:

		Related amount not set off in the statement of financial position		
	Gross amount of recognised financial assets/ financial liabilities RM'000	Financial instrument RM'000	Financial collateral RM'000	Net amount RM'000
2021				
Assets				
Derivative financial assets	706,669	(442,257)	(62,008)	202,404
Liabilities				
Derivative financial liabilities	552,740	(442,257)	(1,057,583)	(947,100)
2020				
Assets				
Derivative financial assets	1,296,293	(666,166)	(184,563)	445,564
Liabilities				
Derivative financial liabilities	1,111,173	(666,166)	(1,151,905)	(706,898)

32. 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.

32. 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	Fair value			
		Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Financial Assets					
Reverse repurchase agreements	314,632	-	314,632	-	314,632
Financial assets at FVTPL	444,422	-	444,422	-	444,422
Financial investments at FVOCI	1,191,901	-	1,191,901	-	1,191,901
Loans, advances and financing*	1,301,885	-	1,349,525	-	1,349,525
Derivative financial assets	706,669	-	696,036	10,633	706,669
Financial Liabilities					
Derivative financial liabilities	552,740	-	551,140	1,600	552,740

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

32. 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	Fair value			
		Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Financial Assets					
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
Financial Liabilities					
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

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

Reconciliation of movements in Level 3 financial instruments

	2021 RM'000	2020 RM'000
Derivative Financial Assets		
At 1 January	29,736	30,796
Gain recognised in profit or loss		
Realised	(8,968)	(9,372)
Unrealised	(10,135)	8,312
At 31 December	10,633	29,736
Derivative Financial Liabilities		
At 1 January	18,307	9,321
Loss recognised in profit or loss		
Realised	(9,165)	(1,785)
Unrealised	(7,542)	10,771
At 31 December	1,600	18,307

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.

32. 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.

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

Financial assets/ Financial liabilities	Fair value as at 31.12.2021			Fair value as at 31.12.2020			Valuation and techniques key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Assets RM'000	Liabilities RM'000	Hierarchy	Assets RM'000	Liabilities RM'000	Hierarchy			
Credit derivatives									
Credit default swaps	10,633	1,600	Level 3	29,736	18,307	Level 3	Stripping, interpolation and extrapolation.	Credit default spreads beyond observation limit. Recovery rate variance.	Adjustment to parameter based on review on first to default.

33. CAPITAL ADEQUACY

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

	2021 RM'000	2020 RM'000
Tier 1 capital		
Paid-up share capital	650,000	650,000
Retained profits	210,278	223,911
Other disclosed reserves	17,017	6,554
	877,295	880,465
Less: Regulatory adjustments		
Intangible assets	-	(24)
Deferred tax assets	(3,596)	(3,416)
55% of cumulative gains from financial instruments at FVOCI	(965)	(3,605)
Hedging reserve	(893)	-
Regulatory reserve	(14,369)	-
Total Tier 1 capital	857,472	873,420
Tier 2 capital		
Expected credit losses	2,791	5,588
Subordinated term loan	387,635	-
Total Tier 2 capital	390,426	5,588
Total Capital base	1,247,898	879,008
Capital Ratios		
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	24.584%	18.905%
Tier 1 Capital Ratio	24.584%	18.905%
Total Capital Ratio	35.777%	19.026%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	24.562%	18.905%
Tier 1 Capital Ratio	24.562%	18.905%
Total Capital Ratio	35.756%	19.026%

33. CAPITAL ADEQUACY (CONTINUED)

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

	2021		2020	
	Principal RM'000	Risk weighted assets RM'000	Principal RM'000	Risk weighted assets RM'000
Risk weight				
0%	1,911,291	-	3,917,160	-
20%	1,358,513	271,703	760,182	152,036
50%	94,122	47,061	146,818	73,409
100%	1,795,165	1,795,165	2,121,614	2,121,614
Credit risk		2,113,929		2,347,059
Market risk		1,083,291		1,868,985
Operational risk		290,757		403,981
Total risk-weighted assets		3,487,977		4,620,025

34. 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 2021 and 2020, and results for the financial year ended on the dates are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and short-term funds	(a)	39,411	22,202
Other assets	(c)	-	9,766
Property, plant and equipment	(d)	-	-
Intangible assets	(e)	-	-
TOTAL ASSETS		39,411	31,968
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(f)	11,253	10,079
Other liabilities		5,968	82
TOTAL LIABILITIES		17,221	10,161
Capital fund		26,850	26,850
Accumulated losses		(4,660)	(5,043)
Islamic banking funds		22,190	21,807
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		39,411	31,968
COMMITMENTS AND CONTINGENCIES		-	-

34. ISLAMIC BANKING WINDOW (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Income derived from investment of Islamic banking funds and depositors' funds	(g)	548	401
Profit expense to depositors		(80)	(57)
Net income derived from investment of Islamic banking funds and depositors' funds		468	344
Other operating income	(h)	1,610	1,038
Other operating expenses	(i)	(1,695)	(1,858)
Profit/(Loss) before taxation		383	(476)
Income tax expense	(j)	-	-
Profit/(Loss) after taxation		383	(476)
Total comprehensive income/(expense)		383	(476)

34. ISLAMIC BANKING WINDOW (CONTINUED)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Capital fund RM'000	Regulatory reserve RM'000	Accumulated losses RM'000	Total RM'000
Balance as of 1 January 2021	26,850	-	(5,043)	21,807
Profit after taxation	-	-	383	383
Balance as of 31 December 2021	26,850	-	(4,660)	22,190
Balance as of 1 January 2020	26,850	-	(4,567)	22,283
Loss after taxation	-	-	(476)	(476)
Balance as of 31 December 2020	26,850	-	(5,043)	21,807

34. ISLAMIC BANKING WINDOW (CONTINUED)

(a) CASH AND SHORT-TERM FUNDS

	2021 RM'000	2020 RM'000
At amortised cost		
Cash and balances with licensed banks	5,401	3,205
Money at call and deposit placements maturing within one month	34,010	18,997
	39,411	22,202

(b) LOANS, ADVANCES AND FINANCING

Included in the Bank's loan, there is funding extended to BNP Paribas Najmah under Profit Sharing Investment Account (PSIA) amounting to RM30.02 million (FY2020: RM nil). The PSIA is a contract based on the Wakalah principle.

(c) OTHER ASSETS

	2021 RM'000	2020 RM'000
Other receivables, deposit and prepayments	-	9,766
	-	9,766

(d) PROPERTY, PLANT AND EQUIPMENT

	Office equipment and machinery RM'000	Computer equipment RM'000	Total RM'000
2021			
Cost			
At beginning of year/At end of year	6	23	29
Accumulated Depreciation			
At beginning of year/At end of year	6	23	29
Net Book Value			
As of 31 December 2021	-	-	-

34. ISLAMIC BANKING WINDOW (CONTINUED)

(d) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

(e) INTANGIBLE ASSETS

	2021 RM'000	2020 RM'000
Computer Software		
Cost		
At 1 January/31 December	41	41
Accumulated amortisation		
At 1 January	41	41
Amortisation for the year	-	-
	41	41
Net Book Value	-	-

34. ISLAMIC BANKING WINDOW (CONTINUED)

(f) DEPOSITS FROM CUSTOMERS

	2021 RM'000	2020 RM'000
At Amortised Cost		
Non-Mudharabah Fund		
Demand deposits	11,253	4,572
Commodity Murabahah	-	5,507
	11,253	10,079

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

	2021 RM'000	2020 RM'000
Due within six months	-	5,507

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

	2021 RM'000	2020 RM'000
Business enterprises	-	2
Non-bank financial institutions	11,253	10,077
	11,253	10,079

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

	2021 RM'000	2020 RM'000
Money at call and deposit placement with financial institutions	548	401
	548	401

34. ISLAMIC BANKING WINDOW (CONTINUED)

(h) OTHER OPERATING INCOME

	2021 RM'000	2020 RM'000
Fee income:		
Commission	1	-
Other fee income	187	38
Foreign exchange		
- Unrealised gain/(loss)	78	(10)
Others	1,344	1,010
	1,610	1,038

(i) OTHER OPERATING EXPENSES

	2021 RM'000	2020 RM'000
Personnel costs (Note i)	1,359	1,554
Establishment costs (Note ii)	121	119
Marketing expenses (Note iii)	1	5
Administration and general expenses (Note iv)	214	180
	1,695	1,858

(i) Personnel costs

	2021 RM'000	2020 RM'000
Salaries bonuses and allowance	1,020	1,245
Defined contribution retirement plan	173	213
Other staff related expenses	166	96
	1,359	1,554

34. ISLAMIC BANKING WINDOW (CONTINUED)

(i) OTHER OPERATING EXPENSES (CONTINUED)

(ii) Establishment costs

	2021 RM'000	2020 RM'000
Rental of premises	13	81
Information technology costs	80	16
Depreciation of property, plant and equipment	-	-
Amortisation of intangible asset	-	-
Others	28	22
	121	119

(iii) Marketing expenses

	2021 RM'000	2020 RM'000
Others	1	5
	1	5

(iv) Administration and general expenses

	2021 RM'000	2020 RM'000
Legal and professional fees	137	163
Communication and transportation	19	17
Others	58	-
	214	180

Included in administration and general expenses is the Shariah Committee's remuneration of RM135,000 (2020: RM159,000).

(j) 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:

	2021 RM'000	2020 RM'000
Profit/(Loss) before taxation	383	(476)
Taxation at Malaysian statutory tax rate of 24%	-	-

34. ISLAMIC BANKING WINDOW (CONTINUED)

(k) CAPITAL ADEQUACY

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

	2021 RM'000	2020 RM'000
Tier-1 capital		
Paid-up share capital	26,850	26,850
Accumulated losses	(4,660)	(5,043)
Total Tier 1 capital	22,190	21,807
Total Capital base	22,190	21,807
Capital Ratios		
Common Equity Tier 1 Ratio	525.331%	165.606%
Tier 1 Capital Ratio	525.331%	165.606%
Total Capital Ratio	525.331%	165.606%

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

	2021		2020	
	Principal RM'000	Risk weighted assets RM'000	Principal RM'000	Risk weighted assets RM'000
Risk weight				
0%	34,742	-	19,694	-
20%	4,659	932	-	-
100%	10	10	9,891	9,891
Credit risk		942		9,891
Market risk		1,973		1,941
Operational risk		1,309		1,336
Total risk-weighted assets		4,224		13,168

35. 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

Further to the initial letter on 24 March 2020, BNM had issued another letter on 24 July 2020 which introduced additional relief measures in the form of targeted repayment assistance to the borrowers experiencing temporary financial constraints due to COVID-19. The additional measures are payment assistance targeted to the B40 individuals and microenterprises. These measures are focused for borrowers who experienced loss of job, and for individual and SMEs whose incomes have been impacted by the pandemic.

The assistance were extended to facilities approved before 1 October 2020 which are not past due for more than 90 days at the time the borrowers request for the repayment assistance. The additional repayment assistance will be available to eligible borrowers until 30 June 2021.

The repayment assistance does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indication evidence of significant increase in credit risk ("SICR"). Judgement and more holistic assessment of all relevant indicators and information, such as historical repayment and delinquency trend pre-COVID-19 pandemic, are applied in determining SICR. In addition, the loan that is approved under repayment assistance is exempted to be reported as rescheduling and restructuring ("R&R") and credit-impaired in the Central Credit Reference Information System ("CCRIS").

BNM policy documents on Capital Adequacy Framework (Capital Components)

On 9 December 2020, BNM issued revised policy document, Capital Adequacy Framework (Capital Components). The key addition to the revised policy documents is the transitional arrangements for financial institutions on provisions for expected credit loss ("ECL"). Under this revised policy document, a financial institution is allowed to add back the loss allowance for non-credit-impaired exposures (i.e Stage 1 and Stage 2 provisions) to Common Equity Tier 1 ("CET1") Capital.

In applying the definition of defaulted exposures under the above policies to loans for which repayment assistance is extended:

(i) The determination of "days past due" should be based on the new repayment terms of a loan that has been reschedule and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;

(ii) For loans to individuals or SMEs, a borrower should not be considered to be in default based on "unlikeness to pay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

(iii) For loans to corporates, the assessments of "unlikeness to repay" should not be based solely on the borrower taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower.

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

Effect of LIBOR Reform

The discontinuation of London Interbank Offer Rate ("LIBOR") by the end of 2021 and the transition to alternative RFRs could pose challenges to the Bank as the transition from LIBOR is expected to bring about significant legal, valuation, accounting, risk management and system implication.

Bank Negara Malaysia ("BNM") has established key signposts to ensure that banks adequately prepare for and manage a smooth transition away from LIBOR. These include key timelines to be adhered to for engagement with customers to renegotiate contracts and incorporate fallback provisions in loan and derivative contracts, completion of the assessment on operational readiness and capability to support products references to RFRs and resolution of all residual risks and impediments to issue products referenced to RFRs.

As part of the reforms noted above:

BNM introduced the Malaysia Overnight Rate ("MYOR") as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. On 1 January 2023, BNM will discontinue the publication of the 2– and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts. The remaining one-, three– and six-month KLIBOR tenors, which continue to reflect an active underlying market, will be reviewed in the second half of 2022. The Financial Markets Committee ("FMC") will engage the International Swaps and Derivatives Association ("ISDA") to ensure continuity of KLIBOR derivatives contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

The UK Financial Conduct Authority ("FCA") has decided not to compel the panel banks to participate in the USD LIBOR submission process after the end of 2021 and to cease oversight of these benchmark interest rates.

As at 31 December 2021, the Bank hold the following financial instruments which are referenced to the current benchmark interest rates and have yet to transition to an alternative interest rate benchmark:

	Nominal amount as at 31 December 2021		Of which, have yet to transition to an alternative benchmark interest as at 31 December 2021	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Derivatives Asset/(Liabilities)	58,035,425	(47,681,088)	30,745,152	(16,954,726)

	Carrying amount as at 31 December 2021	Of which, have yet to transition to an alternative benchmark interest as at 31 December 2021
	Assets	Assets
	RM'000	RM'000
Loans, advances and financing (Gross)	1,304,456	749,671

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 2021 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 dated on 8 June 2022,

DATO' MOHAMED KHADAR BIN MERICAN

FAISAL BIN ISMAIL

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 8 June 2022.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No: W 871
R.S VANMATHI
01.01.2022 - 31.12.2024
MALAYSIA

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