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 2022

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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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 2022.

#### **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
Joris Marla A. Dierckx
Vijayam a/p Nadarajah
Faisal Bin Ismail
Khoo Lian Kim (appointed w.e.f. 1.9.2022)
Chan Mui Pin (Mrs. Lau Mui Pin) (appointed w.e.f. 7.9.2022)
Yves Maurice Guy Marie Drieux (retired on 27.7.2022)
Wahid Ali Bin Mohd Khalil (resigned w.e.f. 1.3.2022)

#### 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 Income tax expense	66,769 (16,321)
Profit for the year	50,448

#### 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.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

#### REPORT OF THE DIRECTORS (CONTINUED)

#### EVENT SIGNIFICANT TO THE FINANCIAL YEAR

There is no significant event during the financial year.

#### **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' REMUNERATION

The details of the Directors' remuneration paid or payable to the Directors of the Bank during the financial year are as follows:

	<u>Fees</u>	<u>Other</u> allowances	<u>Bonuses</u>	Benefits in kind	<u>Total</u>
2022	RM'000	RM'000	RM'000	RM'000	RM'000
Non-executive Directors*	<u>744</u>	_	-	_	<u>744</u>

<sup>\*</sup>The remuneration is net of tax.

#### **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.

#### **BNP PARIBAS MALAYSIA BERHAD**

(Incorporated in Malaysia)

#### REPORT OF THE DIRECTORS (CONTINUED)

#### **DIVIDENDS**

At the forthcoming Annual General Meeting ("AGM") to be held in financial year 2023, a final single tier dividend of 7.7613 sen per ordinary share amounting to RM50,448,392 (final dividend) in respect of the financial year ended 31 December 2022 will be proposed for shareholder's approval.

The single-tier final dividend was approved by the Board of Directors on 28 March 2023. 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 ending 31 December 2023. Details of the dividends are set out in Note 20 to the financial statements.

#### 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 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 RM20,196 (2021: RM16,592)

## 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.

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

#### REPORT OF THE DIRECTORS (CONTINUED)

#### OTHER STATUTORY INFORMATION

- a. Before the financial statements of the Bank were prepared, the Directors took reasonable steps:
  - to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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.
- b. At the date of this Report, the Directors are not aware of any circumstances:
  - which would render the amount written off for bad debts or the amount of the 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:
  - the results of the operations of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - ii. there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the financial year in which this Report is made.

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

#### REPORT OF THE DIRECTORS (CONTINUED)

#### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 24 to the financial statements.

	<u>Total</u> RM'000
Statutory audit fees Other audit fees	397 470
	Paramatahan dalah mengalan dalah men
	867
	<u> </u>

#### 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

#### Performance for the financial year ended 31 December 2022

FY 2022 proved to be a recovery year from the effects of the Covid 19 pandemic, as the full impact of easing of restrictions was felt in the local economy. Nonetheless, new global challenges emerged, such as the prolonged Ukraine conflict and the resulting disruptions on global supply chain and energy, coupled with more severe Covid 19 lockdowns in China. Under this environment, Malaysia recorded a strong GDP growth of 8.7% compared to 3.1% in 2021.

To curtail inflationary pressures, central banks have raised their policy rates, with Bank Negara Malaysia ('BNM') raising its Overnight Policy Rates ('OPR') cumulatively by 100 bps to 2.75%. Significantly sharper policy rate rises were seen in the United States and the Eurozone resulting in a depreciation of the Ringgit against the US Dollar and the Euro, reaching MYR 4.40 and MYR 4.70 respectively before recovering back to MYR 4.23 and MYR 4.60 in January 2023.

Against this mixed backdrop of economic recovery coupled with interest rate volatility, the Bank registered profit after tax of RM50.4 million, a sharp improvement compared to RM0.7 million in 2021. Strong recovery in the Global Markets business, coupled with continued underlying growth trajectory in our lending and deposit taking activities were the key drivers in the overall income growth which more than doubled year on year. Excluding Global Market transfer pricing charges, our operating expenses increased by 7% to RM71.1 million as we continue to maintain cost discipline. Provision made for expected credit losses was at RM3.19 million this year, against a write back of RM3.03 million in the previous year due to the non-recurring previous year upgrade of one major account.

Loans, advances and financing grew by 47% to close at RM1.90 billion while deposits from customers achieved 25% growth to reach RM 2.67 billion.

The Bank remains well capitalised for future growth with CET1 and total capital ratio of 19.630% and 28.586% respectively as at year end.

#### **BNP PARIBAS MALAYSIA BERHAD**

(Incorporated in Malaysia)

#### REPORT OF THE DIRECTORS (CONTINUED)

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

#### Outlook 2023

Malaysia's GDP growth is forecasted at between 4.0% to 5.0% in 2023, while rate of inflation is expected to gradually decline to 2.2%. While the Ukraine conflict shows no signs of resolution, the relaxation of China's Zero Covid policy and its impact on the global economy has resulted in some cautious optimism. However, the risk of global recession remain as reflected by the World Bank's recent downward adjustment of its global economic growth forecast to 1.7% from 3.0% previously.

BNM kept OPR unchanged at 2.75% during the latest policy meeting on 9 March 2023. Market consensus is for BNM to raise market OPR to 3.25% by year end but the timing of the hikes remains uncertain, especially in the wake of recent events in the US banking industry.

While the economic outlook remains uncertain, the Bank expects to continue the underlying growth momentum on its loans, financing, deposit taking and Global Market activities by deepening its existing relationships while broadening its client base.

#### RATINGS BY AN EXTERNAL RATING AGENCY

Rating Agency	Date of rating	Rating Received
Rating Agency Malaysia ('RAM')	November 2022	Long Term – AA1 Short Term – P1 Outlook – Stable

#### Rating classification description

RAM Ratings has affirmed BNP Paribas Malaysia Berhad's long term financial institution rating of 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, an international body that monitors and makes recommendations about the global financial system.

## 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 31 May 2023. Signed on behalf of the Board of Directors:

FAISAL BIN ISMAIL DIRECTOR

DATO' MOHAMED KHADAR BIN MERICAN DIRECTOR

Kuala Lumpur 31 May 2023

## 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 Sharlah 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 and advice. We understand that the Board has institutionalised a robust Shariah governance framework to ensure its oversight accountability over Shariah governance and compliance reflects the integration of Shariah governance considerations within the business and risk strategies.

In line with our responsibility, we have endorsed internal controls to ensure that the operations of the Bank's Islamic Banking Window comply with the Shariah. We conducted our deliberation in accordance with the regulations issued by the 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 2022, we have reviewed:

- The principles and contracts relating to the transactions and applications offered by the Bank; and
- 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 provide 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 assessments based on the relevant test sampling for each type of transaction, the relevant documentation and procedures adopted by the Bank.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

(moorporated in Maidysia)

### SHARIAH COMMITTEE'S REPORT (CONTINUED)

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

In our opinion, for the financial year ended 31 December 2022, 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-compliance.

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 (Member)

Dr Mahadi Ahmad (appointed on 1.11.2022) (Member)



#### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia) Registration No. 201001034168 (918091-T)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of BNP Paribas Malaysia Berhad ("the Bank") give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### What we have audited

We have audited the financial statements of the Bank, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 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.

#### Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Report of the Directors and Shahriah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon.



#### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BNP PARIBAS MALAYSIA BERHAD (CONTINUED)

(Incorporated in Malaysia) Registration No. 201001034168 (918091-T)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

#### Responsibilities of the Directors for the financial statements

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

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

#### Auditors' responsibilities for the audit of the financial statements

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



#### INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF BNP PARIBAS MALAYSIA BERHAD (CONTINUED)

(Incorporated in Malaysia) Registration No. 201001034168 (918091-T)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 LLP0014401-LCA & AF 1146

Chartered Accountants

FOONG MEI LIN 03530/09/2024 J Chartered Accountant

Kuala Lumpur 31 May 2023

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
ASSETS			
Cash and short-term funds Reverse repurchase agreements	5	2,170,758 1,355,409	1,435,996 314,632
Financial assets at fair value through profit or loss ("FVTPL")	6	369,604	444,422
Financial assets at fair value through other comprehensive income ("FVOCI")	7	1,120,904	1,191,901
Loans, advances and financing	8	1,902,439	1,301,885
Derivative financial assets	9	1,568,425	706,669
Other assets	10	535,467	70,565
Property, plant and equipment	11	2,688	4,778
Intangible assets	12	-	-
Tax recoverable		8,935	13,788
Deferred tax assets	13	4,348	3,596
TOTAL ASSETS		9,038,977	5,488,232
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers Deposits and placements of banks and	14	2,669,101	2,142,425
other financial institutions	15	420,153	416,102
Repurchase agreements		1,052,579	-
Derivative financial liabilities	9	1,668,958	552,740
Other liabilities	16	1,912,812	1,112,035
Subordinated term loan	17	386,766	387,635
TOTAL LIABILITIES		8,110,369	4,610,937
Share capital	18	650,000	650,000
Retained profits	10	255,828	210,278
Reserves	19	22,780	17,017
SHAREHOLDER'S EQUITY		928,608	877,295
TOTAL LIABILITIES AND SHAREHOLDER'S		Mahamadan Andrikan Andrian marakakan marakakan marakak	t
EQUITY		9,038,977	5,488,232
COMMITMENTS AND CONTINGENCIES	30	145,291,566	106,033,085

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
Interest income Interest income on financial assets at FVTPL Interest expense	21 21 22	153,458 26,074 (63,491)	100,667 35,950 (22,884)
Net interest income Net income from Islamic banking business	34	116,041 650	113,733 468
Other operating income/(losses) Other operating expenses Expected credit losses (made)/written back	23 24 25	116,691 40,681 (87,410) (3,193)	114,201 (38,682) (77,239) 3,032
Profit before tax Income tax expense	26	66,769 (16,321)	1,312 (576)
Profit for the year		50,448	736
Other comprehensive income/(loss): Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income  Net changes in fair value  Changes in expected credit losses  Income tax effect		(2,083) 4 499	(6,313) (1) 1,515
Net change in cash flow hedge		3,180	893
Other comprehensive income/(loss)		1,600	(3,906)
Total comprehensive income/(loss)		52,048	(3,170)

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

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

Total RM'000	877,295	50,448 1,600 (735)	928,608	880,465	736 - (3,906)	877,295
Retained <u>profits</u> RM'000	210,278	50,448 (4,163) - (735)	255,828	223,911	736 (14,369) 	210,278
Revaluation reserve-financial assets at FVOCI RM'000	1,755	(1,580)	175	6,554	. (4,799)	1,755
Regulatory <u>reserve</u> RM'000	14,369	4,163	18,532	1	14,369	14,369
Hedging <u>reserve</u> RM'000	893	3,180	4,073	•	: ' E	893
Share <u>capital</u> RM'000	650,000	1 5 1 1	650,000	000'099	t 1 1	650,000
	As at 1 January 2022	Profit for the year Transfer to regulatory reserve Other comprehensive income Dividend paid on ordinary shares	As at 31 December 2022	As at 1 January 2021	Profit for the year Transfer to regulatory reserve Other comprehensive income	As at 31 December 2021

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>2022</u> RM'000	<u>2021</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	66,769	1,312
Adjustment for:	05.000	25.040
Unrealised loss on derivative financial instruments Unrealised loss on financial assets at FVTPL	95,226 137	35,916 196
Unrealised loss on foreign exchange	200,601	49,732
Unrealised loss on reverse repurchase agreements	708	348
Realised gain on repurchase agreements	(188)	(313)
Amortisation of premium less accretion of discount	2,877	14,622
Realised loss on financial assets at FVOCI	3,143	
Interest income on financial assets at FVOCI	(26,345)	(41,676)
Depreciation of property, plant and equipment	3,149	3,139
Amortisation of intangible assets	-	24
Expected credit losses made/(write back)		
on loans, advances and financing	3,193	(3,032)
Interest expense on lease liabilities	53	114
Operating profit before working capital changes	349,323	60,382
(Increase)/Decrease in:		
Reverse repurchase agreements	(1,041,485)	659,698
Financial assets at FVTPL	74,681	(30,651)
Loans, advances and financing	(603,747)	39,554
Lease re-measurement	(153)	462
Other assets	(464,903)	124,512
Increase/(Decrease) in:		
Deposit from customers	526,676	(158,395)
Deposit and placements of banks and other		, , ,
financial institution	4,051	(424,781)
Derivative financial assets/liabilities	(40,506)	(53,564)
Repurchase agreements	1,052,767	(285,040)
Subordinated term loan	1,452	499
Other liabilities	802,965	(112,534)
Cash generated from/(used in) operating activities	661,121	(179,858)
Income tax paid	(11,720)	(5,312)
Net cash generated from/(used in) operating activities	649,401	(185,170)
The cash generated normalised in operating activities	1 OT 1 OT 1	(100,170)

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment Interest income on financial assets at FVOCI Net sale of financial assets at FVOCI		(906) 29,407 59,834	(848) 44,468 119,603
Net cash generated from investing activities		88,335	163,223
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid Proceeds from issuance of subordinated term loan Payment for lease liabilities		(735) - (2,239)	387,137 (2,078)
Net cash (used in)/generated from financing activities		(2,974)	385,059
NET INCREASE IN CASH AND CASH EQUIVALENTS		734,762	363,112
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,435,996	1,072,884
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,170,758	1,435,996
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	5	2,170,758	1,435,996

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Changes in liabilities arising from financing activities as following:

		Cash changes		Non	-cash changes
	As at 1 Jan 2022 RM'000	Net Cash Flows from Financing <u>Activities</u> RM'000	Lease re-measurement RM'000	Interest Expense RM'000	As at 3 <u>1 Dec 2022</u> RM'000
	RIVI UUU	RIVI 000	RIVIOUU	RIVIOUU	RIVI 000
Lease	2,487	(2,239)	153	53	454
		Cash changes		Non	-cash changes
		Net Cash Flows from	Foreign		
	As at	Financing	exchange	Accrued	As at
	<u>1 Jan 2022</u>	<u>Activities</u>	<u>movement</u>	<u>interest</u>	3 <u>1 Dec 2022</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Subordinated					
term loan	387,635	-	(2,239)	1,370	386,766
		***************************************	······································	<del></del>	
		Cash changes		Non	-cash changes
		Net Cash		Non	-cash changes
	As at	Net Cash Flows from			
	As at 1 Jan 2021	Net Cash Flows from Financing	Lease re-measurement	Interest	As at
	As at 1 Jan 2021 RM'000	Net Cash Flows from	Lease <u>re-measurement</u> RM'000		
Lease	1 Jan 2021 RM'000	Net Cash Flows from Financing <u>Activities</u> RM'000	re-measurement RM'000	Interest <u>Expense</u> RM'000	As at 3 <u>1 Dec 2021</u> RM'000
Lease	<u>1 Jan 2021</u>	Net Cash Flows from Financing <u>Activities</u>	<u>re-measurement</u>	Interest <u>Expense</u>	As at 3 <u>1 Dec 2021</u>
Lease	1 Jan 2021 RM'000	Net Cash Flows from Financing <u>Activities</u> RM'000 (2,078)	re-measurement RM'000	Interest Expense RM'000	As at 3 <u>1 Dec 2021</u> RM'000 2,487
Lease	1 Jan 2021 RM'000	Net Cash Flows from Financing <u>Activities</u> RM'000	re-measurement RM'000	Interest Expense RM'000	As at 3 <u>1 Dec 2021</u> RM'000
Lease	1 Jan 2021 RM'000 4,913	Net Cash Flows from Financing Activities RM'000 (2,078)  Cash changes Net Cash Flows from	re-measurement RM'000  (462)  Foreign	Interest Expense RM'000 114 Non	As at 3 <u>1 Dec 2021</u> RM'000 2,487 ————————————————————————————————————
Lease	1 Jan 2021 RM'000 4,913 As at	Net Cash Flows from Financing Activities RM'000  (2,078)  Cash changes Net Cash Flows from Financing	re-measurement RM'000  (462)  Foreign exchange	Interest Expense RM'000 114 Non	As at 3 <u>1 Dec 2021</u> RM'000 2,487 ————————————————————————————————————
Lease	1 Jan 2021 RM'000 4,913 As at 1 Jan 2021	Net Cash Flows from Financing Activities RM'000  (2,078)  Cash changes Net Cash Flows from Financing Activities	re-measurement RM'000  (462)  Foreign exchange movement	Interest Expense RM'000  114  Non  Accrued interest	As at 3 <u>1 Dec 2021</u> RM'000 2,487 -cash changes  As at 3 <u>1 Dec 2021</u>
Lease	1 Jan 2021 RM'000 4,913 As at	Net Cash Flows from Financing Activities RM'000  (2,078)  Cash changes Net Cash Flows from Financing	re-measurement RM'000  (462)  Foreign exchange	Interest Expense RM'000 114 Non	As at 3 <u>1 Dec 2021</u> RM'000 2,487 ————————————————————————————————————
Lease Subordinated term loan	1 Jan 2021 RM'000 4,913 As at 1 Jan 2021	Net Cash Flows from Financing Activities RM'000  (2,078)  Cash changes Net Cash Flows from Financing Activities	re-measurement RM'000  (462)  Foreign exchange movement	Interest Expense RM'000  114  Non  Accrued interest	As at 31 Dec 2021 RM'000 2,487 -cash changes As at 31 Dec 2021

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

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

#### 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 31 May 2023.

#### 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 ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

The Bank has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2022:

- Amendments to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts Cost of Fulfilling a Contract"
- Annual Improvements to MFRS 9 "Fees in the 10% test for Derecognition of Financial Liabilities"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

The adoption of these amendments to published standards did not have any material impact on the financial statements of the Bank.

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

A number of new standards and amendments to standards and interpretations are effective for financial year after 1 January 2022. None of these is expected to have a significant effect on the financial statements of the Bank.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

A number of new standards and amendments to standards and interpretations are effective for financial year after 1 January 2022. None of these is expected to have a significant effect on the financial statements of the Bank: (cont'd)

 Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates.

Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### Amendments on definition of accounting estimates (Amendments to MFRS 108)

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

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Bank.

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A Financial assets

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

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

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

#### Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

A Financial assets (continued)

#### Classification of financial assets (continued)

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

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

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

#### Amortised cost and effective interest method

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

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

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Amortised cost and effective interest method (continued)

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

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

Interest income is recognised in statement of comprehensive income.

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.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

A Financial assets (continued)

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

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

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

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Interest income and Other operating income' line. Fair value is determined in the manner described in Note 32 Fair value of financial assets and liabilities.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

A Financial assets (continued)

#### Reverse Repurchase agreements

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

#### Foreign exchange gains and losses

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

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

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Impairment of financial assets

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

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

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

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

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

#### The measurement of ECL reflects:

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Impairment of financial assets (continued)

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

#### Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

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

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

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

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Definition of default

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

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

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

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

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

#### Significant increase in credit risk

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

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Significant increase in credit risk (continued)

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

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

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

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

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

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

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

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### A Financial assets (continued)

#### Significant increase in credit risk (continued)

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

#### Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off.

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

#### B Financial liabilities

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

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

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

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### B Financial liabilities (continued)

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

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

#### Repurchase Agreements

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

#### Other financial liabilities

Deposits of non-bank customers, deposits and balances of banks and other financial institutions, 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.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 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 and 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.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 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.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### E Recognition of revenue from contracts with customers

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

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

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

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

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

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

E Recognition of revenue from contracts with customers (continued)

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

#### Fee and commission income

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

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

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

#### Fee income from providing transactions services

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

#### Success fee from advisory services

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

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### F Currency translation

#### Functional and presentation currency

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

#### Foreign currency transactions

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

#### Monetary assets and liabilities expressed in foreign currencies

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

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

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

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

G Property, plant and equipment and intangible assets

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

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

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

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

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

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

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

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

The depreciation is made at the following rates:

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

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

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

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

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in statement of comprehensive income.

# BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### H Employee benefits

#### (a) Short-term benefits

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

#### (b) <u>Defined contribution plans</u>

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) <u>Shared-based compensation</u>

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 statement of comprehensive income in connection with expenses relating to share-based payments from grant date to vesting date.

No shares were granted to employees of the Bank in financial year of 2021 and 2022.

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### I Cash and short-term funds

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

#### J Current and deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

#### K Leases

#### Accounting by lessee

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

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

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

K Leases (continued)

Accounting by lessee (continued)

#### Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

#### **ROU** assets

ROU assets are initially measured at cost comprising the following:

The amount of the initial measurement of lease liability;

- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

#### Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable:
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### K Leases (continued)

Accounting by lessee (continued)

#### Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Bank presents the lease liabilities as under other liabilities in the statement of financial position. Interest expense on the lease liability is presented within the interest expense in statement of comprehensive income.

#### Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### L Interest Rate Benchmark Reform

The Bank has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 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 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.

The Bank ceases to apply the reliefs provided by the Phase 1 amendments at the earlier of (a) when there is no longer uncertainty arising from IBOR reform over the timing and amount of the IBOR-linked cash flows of the hedged item, and (b) when the hedging relationship to which the reliefs are applied is discontinued.

For the financial year ended 31 December 2022, the Bank has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform-Phase 2:

- Hedge designation: When the Phase 1 amendments cease to apply, the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
  - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - c) amending the description of the hedging instrument.

The Bank will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Bank to discontinue its hedge relationships. As of the financial year ended 31 December 2022, the Bank has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform as the replacement of KLIBOR is not yet effective.

#### Amounts accumulated in the cash flow hedge reserve

When the Bank amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

- the measurement of expected credit losses. This applies in particular to the assessment of significant increase in credit risk, the models and assumptions used to measure expected credit losses, the determination of the different economic scenarios and their weighting. The detailed judgements, assumptions and estimates made are disclosed in Note 3A;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets the detailed judgements, assumptions and estimates are disclosed in Note 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.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 5. CASH AND SHORT-TERM FUNDS

		<u>2022</u> RM'000	<u>2021</u> RM'000
	At amortised cost:  Cash and balances with banks and other financial institutions  Money at call and deposit placements maturing within one month	93,802 2,076,956	95,062 1,340,934
		2,170,758	1,435,996
6.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOS	S ('FVTPL') <u>2022</u> RM'000	<u>2021</u> RM'000
	At Fair Value: Government securities: Malaysian Government Securities Malaysian Government Investment Issues	261,121 108,483	227,080 217,342
		369,604	444,422

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

	<u>2022</u> RM'000	<u>2021</u> RM'000
At Fair Value:		
Government securities:		
Malaysian Government Securities	262,894	133,642
Malaysian Government Investment Issues	-	432,069
Bank Negara Malaysia Debt Securities	858,005	626,190
Money market instrument:		
Negotiable Instruments of Deposit	5	
	1,120,904	1,191,901

# BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

# 8. LOANS, ADVANCES AND FINANCING

		<u>2022</u> RM'000	<u>2021</u> RM'000
At Am	ortised Cost:		
(i)	By type		
	Revolving credit Term loans Trust receipts Overdrafts Factoring receivables	898,985 639,861 219,365 21,650 128,375	519,699 627,039 4,910 20,959 131,849
	Gross loans, advances and financing^	1,908,236	1,304,456
	Less: Expected Credit Losses ('ECL')	(5,797)	(2,571)
	Net loans, advances and financing	1,902,439	1,301,885
(ii)	Note ^: Funding extended to BNP Paribas Najmal Bank) under Profit Sharing Investment Acc Advances and Financing. As at current rep outstanding (2021: RM30.02 mil).  By type of customer	count (PSIA) are in- orting date, there is	cluded as Loans, no such balance
	Domestic business enterprises Domestic non-bank financial institutions Financial institutions	1,791,057 70,033 47,146	1,274,434 30,022
		1,908,236	1,304,456
(iii)	By interest rate		
	Variable rate: Cost plus Fixed rate	1,896,205 12,031	1,286,409 18,047
		1,908,236	1,304,456
(iv)	By residual contractual maturity		
	Maturing within one year More than one year to five years More than five years	1,290,938 385,784 231,514	830,755 252,332 221,369
		1,908,236	1,304,456

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

		<u>2022</u> RM'000	<u>2021</u> RM'000
(v)	By geographical distribution		
	In Malaysia	1,908,236	1,304,456
(vi)	By Sector		
	Manufacturing Mining and quarrying Construction Wholesale and retail Financial services Electricity, gas and water Transport, storage and communication Other business services Real estate activities	1,128,813 4,023 9,827 142,840 67,169 231,514 251,117 66,420 6,513	663,410 12,782 2,000 139,673 30,022 221,369 153,338 73,853 8,009
		1,908,236	1,304,456

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

	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	<u>Total</u> RM'000
2022				
Balance at beginning of financial year Change in credit risk Allowance made during the financial	1,388 43	1,183 (43)	-	2,571 -
year	3,262	118	<b>~</b>	3,380
Derecognised during the financial year	(154)	-		(154)
Balance at end of financial year	4,539	1,258		5,797

2022

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%

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

(vii) Movements in ECL on loans, advances and financing 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	<u>Total</u> RM'000
2021				
Balance at beginning of financial year Change in credit risk Allowance written-back during the	2,310 (14)	2,586 14	- -	4,896 -
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%

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.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	<u>Total</u> RM'000
2022				
Balance at beginning of financial year	1,221,710	82,746	-	1,304,456
Change in credit risk Purchases and origination Derecognised during the financial	(5,520) 890,984	5,520 4,053	-	- 895,037
year Exchange fluctuation	(267,450) (35)	(23,772)	-	(291,222) (35)
Balance at end of financial year	1,839,689	68,547	-	1,908,236
	12 month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	<u>Total</u> RM'000
<u>2021</u>				
Balance at beginning of financial year	1,240,718	102,585	-	1,343,303
Change in credit risk Purchases and origination Derecognised during the financial	(2,000) 480,178	2,000 501	-	480,679
year	(497,186)	(22,340)		(519,526)
Balance at end of financial year	1,221,710	82,746	-	1,304,456

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 9. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

2022

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

			2022
	Notional RM'000	Assets RM'000	<u>Liabilities</u> RM'000
Derivatives held for trading at fair value through profit or loss	KWI 000	RIVIOUU	KIVI 000
Foreign exchange derivatives:			
Currency forwards	33,429,177	587,196	(242,001)
Currency swaps	51,243,282	459,874	(1,010,899)
Currency spot	405,272	1,346	(372)
Interest rate derivatives:			
Interest rate swaps	58,372,344	486,662	(406,322)
Bond forwards	180,000	897	(897)
Cap and floor	384,815	148	-
Credit derivatives:			
Credit default swaps	906,068	32,302	(8,467)
Total derivative assets/(liabilities)	144,920,958	1,568,425	(1,668,958)
		**************************************	
	Notional	Assats	2021 Liabilities
	RM'000	<u>Assets</u> RM'000	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)
	<del>,</del>		

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

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

#### 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.

As at 31 December 2022, the Bank does not have any derivative financial instruments that are used as hedging instruments in fair value hedges.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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:

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

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### Fair Value Hedge (continued)

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

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

<sup>\*</sup> The hedging instrument is included in the derivative asset and derivative liabilities line item in the statement of financial position.

# BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### Fair Value Hedge (continued)

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

	Carrying Value RM'000	Fair Value Hedge <u>Adjustments</u> RM'000	Hedge effectiveness recognised in income statement RM'000
2021			
Financial assets at FVOCI	133,684	4,771	(3,744)

#### 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 foreign exchange 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.

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

			2022
	<u>Nominal</u>	<u>Assets</u>	Liabilities
	RM'000	RM'000	RM'000
Foreign exchange derivatives:			
Cross currency swaps	408,171	-	(20,291)
		Nominal amount	Average fixed interest rate
<u>2022</u>		RM'000	"Illerest rate %
Cross currency swap			
One to five years		408,171	-

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

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

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

Cash Flow Hedge (continued)

	Nominal RM'000	Assets RM'000	2021 <u>Liabilities</u> RM'000
Foreign exchange derivatives: Cross currency swaps	408,171	-	(21,434)
<u>2021</u>		Nominal <u>amount</u> RM'000	Average fixed interest rate %
Cross currency swap One to five years		408,171	-

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

	<u>Notional</u>	<u>Assets</u>	<u>Liabilities</u>	(Loss)/Gain of the hedge ineffectiveness recognised in income statement	Nominal Amount directly impacted by IBOR <u>Reform</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
2022					
Foreign Exchange Risk Cross currency swap	408,171	-	(20,291)	(60)	408,171
<u>2021</u>					
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. The changes in fair value used for calculating hedge ineffectiveness amounts to RM1,143,000 (2021: RM21,434,000) and the changes in fair value recognised in other comprehensive income and amount reclassified from hedge reserve to statement of comprehensive income amounts to RM1,083,000 (2021: RM23,164,000).

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### Reconciliation of components of equity

The following table provide reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

		<u>2022</u> RM'000	<u>2021</u> RM'000
	<b>As at 1 January</b> Effective portion of changes in fair value	893	
	<ul> <li>Foreign exchange risk</li> </ul>	1,083	23,164
	Net amount reclassified to profit or loss	(1,083)	(23,164)
	Cost of hedging	3,180	893
	As at 31 December	4,073	893
10.	OTHER ASSETS		
		<u>2022</u> RM'000	<u>2021</u> RM'000
	Collateral assets	524,172	62,008
	Other receivables	9,906	6,959
	Deposit	803	812
	Prepayments	586	786
		535,467	70,565
		***************************************	

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

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT <del>.</del>.

	Total	RM'000		27,185	906	153	28,244
	Rights of Use	RM'000		11,935	1	153	12,088
Renovation	work-in	RM'000		•	66	4	66
	Motor	RM'000		Q	•	ŧ	9
Computer equipment	and	RM'000		8,729	721	i	9,450
Furniture fixtures	and	RM'000		1,855	1	1	1,855
Renovation	and installation	RM'000		4,256	ı	•	4,256
Office equipment	and	RM'000		404	86	1	490
			2022	Cost At beginning of year	Additions	Lease re-measurement	At end of year

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED) <u>:</u>

Total RM'000	3,149	25,556
Rights of Use RM'000	9,553	379
Renovation work-in <u>progress</u> RM'000	1 #	0000
Motor <u>vehicle</u> RM'000		О 4
Computer equipment and hardware	6,524	7,404
Furniture fixtures and <u>fittings</u>	1,806	1,849
Renovation and <u>installation</u> RM'000	4,228	4,250
Office equipment and machinery RM'000	295	342
	2022 Accumulated depreciation At beginning of year Charge for the year	At end of year  Net Book Value  As at 31 December 2022

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED) <del>'.</del>

Total RM'000		26,815	847	(15)	(462)	27,185
Rights of Use RM'000		12,397	•	I	(462)	11,935
Renovation work-in progress RM'000		ı	•	1	•	
Motor <u>vehicle</u> RM'000		15	9	(15)	•	9
Computer equipment and hardware RM'000		7,914	815	•	ľ	8,729
Furniture fixtures and fittings		1,855	1	1	i	1,855
Renovation and <u>installation</u> RM'000		4,256	ı	1	•	4,256
Office equipment and machinery RM'000		378	26	i	1	404
	2021	<u>Cost</u> At beginning of year	Additions	Write-off	Lease re-measurement	At end of year

201001034168 (918091-T)

BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED) 7

Total RM'000	19,283 3,139 (15)	22,407
Rights of Use RM'000	7,572	9,553
Renovation work-in progress RM'000	1 1 1	
Motor vehicle RM'000	15 (15)	7
Computer equipment and hardware	5,513	6,524
Furniture fixtures and fittings	1,725	1,806
Renovation and <u>installation</u> RM'000	4,200	4,228
Office equipment and machinery RM'000	258	109
	<u>Accumulated</u> <u>depreciation</u> At beginning of year Charge for the year	At end of year  Net Book Value  As at 31 December 2021

# BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 12. INTANGIBLE ASSETS

	<u>2022</u> RM'000	<u>2021</u> RM'000
Computer Software		
Cost		
As at 1 January/31 December	3,090	3,090
Accumulated amortisation		
As at 1 January Amortisation for the year	3,090	3,066 24
As at 31 December	3,090	3,090
Net book value		

## 13. DEFERRED TAX ASSETS/(LIABILITIES)

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

	<u>2022</u> RM'000	<u>2021</u> RM'000
Deferred Tax Assets Deferred Tax Liabilities	4,403 (55)	4,151 (555)
As at 31 December	4,348	3,596

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.

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BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

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

Total RM'000		3,596	253 499	4,348		3,416	(1,335) 1,515	3,596
Provisions RM'000		4,001	121	4,122		5,147	(1,146)	4,001
Financial assets at FVOCI RM'000		(555)	499	(56)		(2,070)	1,515	(555)
Property plant and equipment RM'000		150	132	282		339	(189)	150
Note			26				26	
	2022	As at 1 January	Credited to profit or loss Credited to other comprehensive income	As at 31 December	<u>2021</u>	As at 1 January	Charged to profit or loss Credited to other comprehensive income	As at 31 December

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 14. DEPOSITS FROM CUSTOMERS

15.

Other financial institutions

	<u>2022</u> RM'000	<u>2021</u> RM'000	
At Amortised Cost:			
Demand deposits Fixed deposits	2,100,795 568,306	1,627,014 515,411	
	2,669,101	2,142,425	
(i) Maturity structure of fixed deposits are as follows:			
	<u>2022</u> RM'000	2021 RM'000	
Due within six months Six months to one year One year to three years	568,306 - -	512,650 2,708 53	
	568,306	515,411	
(ii) The deposits are sourced from the following types of	customers:		
	<u>2022</u> RM'000	<u>2021</u> RM'000	
Business enterprises Non-bank financial institutions	2,636,370 32,731	2,117,609 24,816	
	2,669,101	2,142,425	
DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS			
	<u>2022</u> RM'000	<u>2021</u> RM'000	
At Amortised Cost:			

420,153

416,102

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 16. OTHER LIABILITIES

	<u>2022</u> RM'000	<u>2021</u> RM'000
Collateral deposits	1,849,159	1,057,583
Other payables	49,943	35,846
Accruals and charges	13,007	15,899
Expected credit losses on loan commitment		
and financial guarantee	249	220
Lease liabilities	454	2,487
	1,912,812	1,112,035

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

## (i) Expected credit 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	<u>Total</u> RM'000
2022				
Balance at beginning of financial year Changes in credit risk Allowance made/(written-back)	121 (31)	99 31	-	220 -
during the financial year	135	(106)		29
Balance at end of financial year	225	24		249

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 16. OTHER LIABILITIES (CONTINUED)

(i) Expected credit 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	<u>Total</u> RM'000
<u>2021</u>				
Balance at beginning of financial year Changes in credit risk Allowance written-back during	194 (2)	498 2	- -	692 -
the financial year	(71)	(401)	-	(472)
Balance at end of financial year	121	99		220

#### 17. SUBORDINATED TERM LOAN

	<u>2022</u> RM'000	<u>2021</u> RM'000
EUR 82.0 million subordinated term loan	386,766	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.

#### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 18. SHARE CAPITAL

19.

			2022		2021
•	No of Ordinary	Shares '000	RM '000	No of Ordinary Shares '000	RM '000
Ordinary shares issu and fully paid	ed				
At 1 January / 31 De	cember 6	50,000	650,000	650,000	650,000
RESERVES					
				<u>2022</u> RM'000	<u>2021</u> RM'000
Non-distributable: Revaluation reserve	e-financial investme	nts at			
FVOCI (Note a)				175	1,755
Regulatory reserve Hedging reserve (N				18,532 4,073	14,369 893
				22,780	17,017

#### (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.

#### (c) Hedging reserve

The hedging reserve are in respect of the cost of hedging arising from the currency basis spread.

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 20. DIVIDEND

	<u>2022</u> RM'000	<u>2021</u> RM'000
Final single tier dividend of 0.113 sen per ordinary share on 650,000,000 ordinary shares paid on 12 August 2022	-	735

At the forthcoming Annual General Meeting ("AGM") to be held in financial year 2023, a final single tier dividend of 7.7613 sen per ordinary share amounting to RM50,448,392 (final dividend) in respect of the financial year ended 31 December 2022 will be proposed for shareholder's approval.

#### 21. INTEREST INCOME

<u>2022</u> RM'000	<u>2021</u> RM'000
47,531	30,026
46,661	22,410
26,345	41,676
26,074	35,950
32,396	15,986
3,402	5,191
182,409	151,239
(2,877)	(14,622)
179,532	136,617
	RM'000 47,531 46,661 26,345 26,074 32,396 3,402 182,409 (2,877)

## 22. INTEREST EXPENSE

<u>2022</u> RM'000	<u>2021</u> RM'000
27,653	16,457
11,321	(4,040)
2,355	1,143
53	114
4,906	1,210
17,184	2,409
19	5,591
63,491	22,884
	RM'000 27,653 11,321 2,355 53 4,906 17,184 19

# BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

# 23. OTHER OPERATING INCOME/(LOSSES)

	<u>2022</u> RM'000	<u>2021</u> RM'000
Fee income: Commissions Guarantee fee	270 1,460	216 1,450
Other fee income: Advisory fees Arrangement fees Other fees	564 578 1,449	104 301 1,593
	4,321	3,664
Loss arising from sale of: Financial assets at FVTPL Financial investments at FVOCI	(10,279) (3,143)	(29,394) -
Gain/(loss) on derivatives trading: Realised Unrealised	120,727 (95,226)	32,936 (37,645)
Unrealised loss on revaluation of financial assets: FVTPL	(137)	(196)
Net gain/(loss) arising from hedging activities	485	(2,015)
Unrealised loss on reverse repurchase agreements	(708)	(348)
Realised gain on repurchase agreements	188	313
Other income: Foreign exchange: Realised gain Unrealised loss	215,081 (200,601)	36,638 (49,732)
Others	9,973	7,097
	40,681	(38,682)

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 24. OTHER OPERATING EXPENSES

		<u>2022</u> RM'000	<u>2021</u> RM'000
Personnel costs (Note a) Establishment costs (Note b) Marketing expenses (Note c) Administration and general expenses (Note d)		42,935 20,569 617 23,289	42,700 18,020 424 16,095
7 (217)	ionalist and gonoral expenses (New a)	87,410	77,239
(a)	Personnel costs		
	Salaries, bonuses and allowance Defined contribution plan Social security cost Other staff related expenses	30,516 5,963 170 6,286 42,935	32,095 5,169 141 5,295 42,700
(b)	Establishment costs		
	Information technology costs Depreciation of property, plant and	8,447	7,649
	equipment (Note 11) Amortisation of intangible asset (Note 12) Others	3,149	3,139 24
		8,973	7,208
		20,569	18,020
(c)	Marketing expenses		
	Advertising Others	39 578	56 368
		617	424
(d)	Administration and general expenses		
	Legal and professional fees Communication and transportation Other general expenses	1,892 1,065 20,332	1,144 920 14,031
		23,289	16,095

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 24. OTHER OPERATING EXPENSES (CONTINUED)

Included in the above expenditure are the following statutory disclosures:

	<u>2022</u> RM'000	<u>2021</u> RM'000
Directors' remuneration Auditors' remuneration:	744	1,006
Statutory audit	397	396
Others	470	25
	***************************************	

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

	<u>Fees</u> RM'000	Other <u>allowances</u> RM'000	Bonuses RM'000	Benefits <u>in kind</u> RM'000	<u>Total</u> RM'000
2022					
Non-executive Directors	744	Service and the service of the servi	***	}	744
<u>2021</u>					
Non-executive Directors	1,001	5		***	1,006

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

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

	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Chief Executive Officer		
Anthony Lo	2,424	2,342
New Francisco Dinestruct		
Non-Executive Directors*		400
Dato Abdullah Mat Noh	-	100
Dato' Mohamed Khadar Bin Merican	325	274
Khoo Lian Kim	55	-
Chan Mui Pin (Mrs. Lau Mui Pin)	-	
Joris Maria A. Dierckx	-	<u></u>
Jean-Pierre Roger Beno Bernard	-	30
Yves Maurice Guy Marie Drieux	69	116
Wahid Ali Bin Mohd Khalil	25	140
Chia Seng Leng	-	76
Vijayam a/p Nadarajah	135	135
Faisal Bin Ismail	135	135
	3,168	3,348
	4	

<sup>\*</sup>The remuneration is net of tax.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 25. EXPECTED CREDIT LOSSES (MADE)/WRITTEN BACK

		<u>2022</u> RM'000	<u>2021</u> RM'000
	Expected credit losses: Allowance (made)/written back during the financial year	(3,193)	3,032
	Allowance (made)/written back during the financial year:		
	Loans, advances and financing Other financial assets	(3,188) (5)	2,594 438
		(3,193)	3,032
26.	INCOME TAX EXPENSE		
		<u>2022</u> RM'000	<u>2021</u> RM'000
	Current tax: Current year Over provision in prior years	16,574 (252)	(331)
		16,322	(331)
	Deferred tax (Note 13) Origination and reversal of temporary differences	(1)	907
	Income tax expenses	16,321	576

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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:

	<u>2022</u> RM'000	<u>2021</u> RM'000
Profit before tax	66,769	1,312
Taxation at Malaysian statutory tax rate of 24% Tax effects of:	16,025	315
Expenses not deductible for tax purposes Over provision in prior years	548 (252)	592 (331)
	16,321	576

## 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 of the Bank.

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

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

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## (a) Related party transactions

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

		<u>2022</u> RM'000	2 <u>021</u> RM'000
	Income: Other interest Fee Income Gain on derivatives trading Recharges from interBank Others operating income	79 87 23,264 8,949 199	2 226 21,473 7,283 119
	Expense: Interest on deposits and placements of banks and other financial institutions Interest on Commodity Murabahah deposits Interest on demand deposits Interest on fixed deposits Interest on repurchase agreements Interest on subordinated term loan Other interest Other interBank charges Other staff related expenses Information technology costs Other establishment cost Other general expenses	10,162 109 26 191 2,353 4,906 8,972 16,265 680 6,226 7,940 249	(4,386) 80 7 138 1,143 1,210 643 10,480 672 5,508 5,970 1,350
(b)	Related party balances  2022	Ultimate holding <u>Bank</u> RM'000	Related <u>parties</u> RM'000
	Assets		
	Cash and short term funds Derivative financial assets Other assets	1,424 764,742 4 766,170	4,271 88,967 9,469 102,707

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

## (b) Related party balances (continued)

	Ultimate holding <u>Bank</u>	Related parties
	RM'000	RM'000
<u>2022</u> (continued)		
<u>Liabilities</u>		
Deposits from customers Deposit and placements of banks and other	-	40,093
financial institutions Subordinated term loan	718 386,766	419,378
Derivative financial liabilities	304,876	76,975
Other liabilities	1,801,792	6,402
	2,494,152	542,848
2021		
<u>Assets</u>		
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
1 ( - 1 944 )		
<u>Liabilities</u>		
Deposits from customers	-	26,745
Deposit and placements of banks and other		
financial institutions	93,089	260,302
Subordinated term loan	387,636	- - 007
Derivative financial liabilities Other liabilities	144,597 871,993	5,927 8,254
	1,497,315	301,228

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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:

	<u>2022</u> RM'000	<u>2021</u> RM'000
Salaries and other short term employee benefits Post-employment benefits: Defined contribution plan	10,322	10,091
	1,330	1,247
	11,652	11,338

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED) 27. The following tables represent the Bank's top 5 related party transactions by geographical and type of services as at 31 December 2022:

Total RM'000		54,191	15,925	65 / 566	73,080
Other <u>services</u> RM'000		16,291	, <b>I</b>	198	16,507
InterBank recharges RM'000		21,623	6,233	769	30,193
Interest on ubordinated term loan RM'000		4,906	ı	1 1	4,906
Interest Interest on on repurchase subordinated agreements term loan RM'000		2,353	ı	1 1	2,353
Interest on derivatives and <u>collateral</u> RM'000		8,972	1	1 1	8,972
Interest on deposits and placements of banks and other financial institutions RM'000		46	9,692	368	10,149
	Services provided by geographical	France Hong Kong	Singapore	India United States	

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED) SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED) 27. The following tables represent the Bank's top 5 related party transactions by geographical and type of services as at 31 December 2021:

<u>Total</u> RM'000		16,819	2,983	1,496	603	584	22,485
Other <u>services</u> RM'000		33	23	ı	•	243	299
InterBank recharges RM'000		13,747	2,928	6,318	603	3	23,596
Interest on ubordinated <u>term loan</u> RM'000		1,210	•	1	ı	•	1,210
Interest Interest on on repurchase subordinated agreements term loan RM'000		1,143	1	1	•	1	1,143
Interest on derivatives and <u>collateral</u> RM'000		643	1	1	•	\$	643
Interest on deposits and placements of banks and other financial institutions RM'000		43	32	(4,822)		341	(4,406)
	Services provided by geographical	France	Hong Kong	Singapore	India	United States	

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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:

		<u>2022</u> RM'000	<u>2021</u> RM'000
	Future minimum rental payments: Not later than 1 year Later than 1 year and not later than 5 years	483 244	354 270
		727	624
29.	CREDIT TRANSACTIONS AND EXPOSURES WITH CONNEC	TED PARTIES 2022 RM'000	<u>2021</u> RM'000
	Outstanding credit exposures with connected parties Total credit exposures	420,657 3,662,743	296,496 2,450,352
	Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposures	11.49%	12.10%
	Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

	<u>2022</u> Principal	<u>2021</u> Principal
	amount	_amount
	RM'000	RM'000
	1111000	14.000
Direct credit substitutes	212,297	295,283
Transaction-related contingent items	71,840	-
Short term self liquidating trade related		
contingencies		723
Irrevocable commitments to extend credit:		
Maturity up to one year	78,971	
Maturity more than one year	7,500	20,565
Total credit related commitment and contingencies	370,608	316,571
Foreign exchange derivatives:		
One year or less	80,040,873	57,925,295
Over one year to five years	4,485,225	2,216,232
Over five years	551,633	573,928
Interest rate derivatives:		
One year or less	20,397,682	13,592,483
Over one year to five years	36,243,053	28,981,380
Over five years	2,296,424	1,919,354
Credit derivatives:		
One year or less	252,678	43,598
Over one year to five years	653,390	464,244
Total treasury related commitment and contingencies	144,920,958	105,716,514
Total commitment and contingencies	145,291,566	106,033,085
	***************************************	

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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 Doubtful. Confirmation or amendments to Counterparty Ratings and the Global Recovery Rates applicable to each transaction of the counterparty are reviewed at inception and at least once a year as part of the credit approval process or annual credit review, drawing on the combined expertise of business line staff and Risk representatives, who have the final say. High quality tools have been developed to support the rating process, including analysis aids and credit scoring systems.

## Portfolio policy

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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').

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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).

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
ASSETS			
Cash and short-term funds Reverse repurchase agreements	5	2,170,758 1,355,409	1,435,996 314,632
Financial assets at FVTPL Financial investments at FVOCI	6 7	369,604 1,120,904	444,442 1,191,901
Loans, advances and financing*	8	1,908,236	1,304,456
Derivative financial assets	9	1,568,425	706,669
Other asset**	10	534,078	68,967
Total asset		9,027,414	5,467,063
Commitments and contingencies		1,878,329	1,145,896
Total credit exposure		10,905,743	6,612,959

<sup>\*</sup> Excludes expected credit losses allowance amounting to RM5,797,000 (2021: RM2,571,000).

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.

<sup>\*\*</sup> Other assets exclude prepayment and refundable deposits amounting to RM1,389,000 (2021: RM1,598,000)

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

# 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as at 31 December 2022:

Commitments and contingencies RM'000		1,762,175 1,371 94,490 1,988 1,130 17,175
On balance sheet total RM'000		534,078 8,107,708 - 654 - 765,461 - 8,877 - 84,680 - 18,324 - 41,710 534,078 9,027,414
Other assets** RM'000		534,078
Derivative financial assets RM'000		711,310 627 627 764,743 8,466 73,255 5,595 4,429 1,568,425
Loans, advances and financing* RM'000		1,908,236
Financial investments at FVOCI		1,120,904
Financial assets at FVTPL RM'000		369,604
Reverse repurchase <u>agreements</u> RM'000		1,355,409
Cash and short-term funds RM'000		2,108,167 27 27 718 411 11,425 12,729 37,281 2,170,758
	Concentration risk by geographical sectors	Malaysia United Kingdom France Hong Kong Singapore Thailand Others

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## BNP PARIBAS MALAYSIA BERHAD

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## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED) NOTES TO THE FINANCIAL STATEMENTS

## FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

Credit Risk (continued) 9 The following tables represent the Bank's credit risk concentrations as at 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 EVOCI	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Other assets**	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by geographical sectors									
Malaysia United Kingdom France Hong Kong Singapore Thailand Others	1,352,956 4,320 9,546 4,333 12,227 52,614	314,632	444,422	1,191,901	1,304,456	398,215 478 290,251 151 7,572 10,002	68,958	5,075,540 4,798 299,797 4,484 19,799 62,625	1,054,963 218 13,825 1,954 3,722 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

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.

Excludes expected credit losses amounting to RM5,797,000 (2021: RM2,571,000).
 Other assets exclude prepayment and refundable deposits amounting to RM1,389,000 (2021: RM1,598,000)

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## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

# 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (b) Credit Risk (continued)

The following tables represent the Bank's credit risk concentrations as at 31 December 2022:

	Cash and short-term funds RM'000	Cash and Reverse short-term repurchase funds agreements RM'000 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**	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by industry sectors									
Government and central banks	2,107,214	1	369,604	1,120,899	i	1	ı	3,597,717	ı
Manufacturing Mining and quarrying	1 6	1 1	1 1		1,128,811	35,054 199	43	1,163,878	251,830 2,324
Finance, insurance	63 544 1 348	1.348.855	1	r.	67.169	1.512.561	524,183	3.516.317	1,534,657
Electricity, gas and water	- 1		1	) '	231,514	1,895	1	233,409	11,477
Construction	•	ŧ	1	1	9,827	3,807	•	13,634	13,529
Wholesale and retail	\$	1	1	t	142,841	11,788	51	154,680	36,661
Real estate	ı	1	•	1	6,513	•	1	6,513	1
Transport, storage and communication	1	1	•	1	255.351	•	234	255.585	21.113
Other business services	1	6,554	i	4	62,187	3,121	9,597	81,459	6,738
	2,170,758	1,355,409	369,604	1,120,904	1,908,236	1,568,425	534,078	9,027,414	1,878,329

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## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

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

	Cash and short-term funds RM'000	Cash Reverse and Reverse short-term repurchase funds agreements RM:000	Financial assets at FVTPL RM'000	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets RM'000	Other assets**	On balance sheet total RM'000	Commitments and contingencies 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	1
Manufacturing			•	1	663,410	20,736	15	684,161	240,682
Mining and quarrying	•	ı	ī	ı	12,782	364	•	13,146	21,213
Finance, insurance and business services	83,889	304,595	1	ı	30,022	672,664	61,242	1,152,412	775,737
Electricity, gas and water			i	i	221,369	5,834		227,203	43,201
Construction	1	•	•	ı	2,000	1,342	•	3,342	16,696
Wholesale and retail	1	1	1	ı	139,673	1,687	က	141,363	38,221
Real estate	li i	1	•	ı	8,009	ŧ	1	8,009	į
Fransport, storage									1
and communication	•	1	•	•	153,338	474	1	153,812	6,607
Other business services		ì	1	1	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
		**************************************							

<sup>\*</sup> Excludes expected credit losses amounting to RM5,797,000 (2021: RM2,571,000).
\*\* Other assets exclude prepayment and refundable deposits amounting to RM1,389,000 (2021: RM1,598,000)

Negara Malaysia guidelines.

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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 Unsecured Rating'.

RNE	Paribas Ratings	Long-term Issu	er/Unsecur	ed issues ratings
DINI	- anda raungs	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 A2	A+ A	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	8B+	BB+
6/6-	Below average	Ba2	BB	BB
7+/7	Poor	Ba3	BB-	BB-
7-	Poor	B1	B+	B+
8+/8/8-	Weak	B2	В	В
9+/9/9-	Speculative	В3	B-	B-
		Caa1	CCC+	CCC+
10+	Substandard	Caa2	CCC	CCC
		Caa3	CCC-	CCC-
10	Substandard	Ca	CC	CC
10-	Substandard	С	С	С
11 12	Default Inversible default	D	SD/D	DDD/DD/D

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2022	
·		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	T-4-1
	<u>ECL</u> RM'000	<u>ECL</u> RM'000	<u>ECL</u> RM'000	<u>Total</u> RM'000
	RIVI UUU	KIM 000	KWI UUU	RIVIUUU
Cash and short-term funds	2,170,758			2,170,758
1-	5,701	-	-	5,701
2+	31,907	-	=	31,907
2	830	-	-	830
2-	2,107,214			2,107,214
3+	12,377			12,377
3	12,729	-	-	12,729
Reverse repurchase agreements	1,355,409	_	-	1,355,409
3-	672,480	<b>+</b>	-	672,480
4-	181,592	-	-	181,592
5 <b>+</b>	501,337	-	-	501,337
Financial assets at FVTPL	369,604			369,604
2-	369,604	-	-	369,604
Figure sight house through a 4 FVOCI	4 420 004			4 420 004
Financial investments at FVOCI	1,120,904	-	-	1,120,904
2-	1,120,899	-	-	1,120,899
4+	5	-	-	5

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2022	
	•	EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	<u>ECL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Loans advances and financing*	1,839,689	68,547	-	1,908,236
3+	29,192	-	-	29,192
3	119,755	_	-	119,755
3-	216,787	-	-	216,787
4+	221,904	<b>+</b>	-	221,904
4	130,103	-	-	130,103
4-	137,558	-	-	137,558
5 <del>+</del>	293,968	-	-	293,968
5	85,872	-	-	85,872
5-	6,139	-	-	6,139
6+	3,502	-	-	3,502
6	113,458	-	-	113,458
6-	133,757	11,074	-	144,831
7+	<b>258,43</b> 3	-	-	258,433
7	4,234	50,960	-	55,194
7-	85,027	-	-	85,027
8	-	6,513	-	6,513

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2022	
		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	1,568,425	н	-	1,568,425
1-	852,485	ů.		852,485
2+	1,954	_	<u></u>	1,954
2-	5,387	_	_	5,387
_ 3+	68,648	<u></u>	_	68,648
3	184,416		-	184,416
3-	149,772	<u>.</u>	=	149,772
4+	78,363	_	-	78,363
4	48	-	-	48
4-	149,004			149,004
5+	40,823	_		40,823
5	25,156	-	<b>.</b>	25,156
5-	5,699	-	-	5,699
6+	286	-	<u>.</u>	286
6	313	ü	-	313
6-	979	-	-	979
7+	334	=	-	334
7	4,758	-	-	<i>4,758</i>

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (b) Credit Risk (continued)

Credit quality of financial assets (continued)

			2022	
		EC	L Staging	
	<u>Stage 1</u>	Stage 2	Stage 3	
	12-month ECL	Lifetime <u>ECL</u>	Lifetime <u>ECL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Other asset	534,078	-	-	534,078
3+	63,380	-	-	63,380
3	93,780	-	-	93,780
3-	208,018	=	-	208,018
4+	151,474		-	151,474
4-	7,535	-	-	7,535
5+	282	-	-	282
5-	1	-	-	1
Unrated	9,608	~	-	9,608
Gross carrying amount	8,958,867	68,547	-	9,027,414
Less: ECL	(4,539)	(1,258)		(5,797)
Net carrying amount	8,954,328	67,289		9,021,617

<sup>\*</sup> Excludes expected credit losses amounting to RM5,797,000 (2021: RM2,571,000).

## 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.

<sup>\*\*</sup> Other assets exclude prepayment and refundable deposits amounting to RM1,389,000 (2021: RM1,598,000)

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

## (b) Credit Risk (continued)

_			2021	
		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	<u>ECL</u>	<u>ECL</u>	<u>ECL</u>	<u>Total</u>
	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

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2021	
		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	<del></del>
	<u>ECL</u>	ECL	<u>ECL</u>	<u>Total</u>
	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	<u>.</u>	-	2,025
8	-	8,009	-	8,009

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2021	
		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Derivative financial assets	706,669	••		706,669
1-	216,714	<u>.</u>	_	216,714
2-	97,323	_		97,323
<del>-</del> 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	65 <b>4</b>	-	-	65 <b>4</b>
6-	151	-	-	151
7+	506	-	-	506
7	186	-	<del>.</del>	186
Unrated	3,418	-	-	3,418

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

			2021	
		EC	L Staging	
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime <u>ECL</u>	Lifetime <u>ECL</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
Other asset	68,967	-	_	68,967
1-	9	<u></u>	_	9
2-	786	-	-	786
3+	18,961	-	-	18,961
3	18,082	-	-	18,082
3-	7,660		-	7,660
4+	12,890	<b>H</b>	-	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

<sup>\*</sup> Excludes expected credit losses amounting to RM5,797,000 (2021: RM2,571,000).

<sup>\*\*</sup> Other assets exclude prepayment and refundable deposits amounting to RM1,389,000 (2021: RM1,598,000)

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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 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:

## 2022

	Increase/(Decrease) in %	Increase/(Decrease) in ECL
		RM'000
Optimistic	+ 1.5%	(1,540)
Adverse	- 1.5%	4,694

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.

## <u>2021</u>

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

## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

## BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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 RM6,244,853 (2021: RM2,934,153). It represents the correlation and consequent diversification effects between risk types and portfolio types across trading and non-trading businesses. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

	<u>2022</u> RM'mil	<u>2021</u> RM'mil
Aggregate VaR	6,2	2.9

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 RM7,219,721 (2021: RM8,192,540) while the minimum VaR during the year is RM1,143,847 (2021: RM1,521,329).

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.

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## BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 at 31 December 2022:

				Non-tra	Non-trading book			
	Up to 1	1-3	3-12	<del>ر</del> ځ	Over 5	Trading	Non interest	
	RM'000	months RM'000	months RM'000	<u>years</u> RM'000	vears RM'000	book RM'000	sensitive RM'000	<u>Total</u> RM'000
<u>2022</u>								
Financial assets								
Cash and short-term funds	2,170,102	1	•	1	1	•	656	2,170,758
Reverse repurchase agreement	<b>i</b>	I	1	ì	i	1,348,246	7,163	1,355,409
Financial assets at FVTPL	•	1	1	•	ı	369,604	•	369,604
Financial investments at FVOCI	659,414	440,273	20,036	ı	ı	1	1,181	1,120,904
Loans, advances and financing	839,222	858,721	204,176	•	1	1	320	1,902,439
Derivatives financial assets	•	F	1	i	ī	1,568,425	ŀ	1,568,425
Other assets	•	•	ř	•	•	į.	534,078	534,078
Total financial assets	3,668,738	1,298,994	224,212	'   '	ī	3,286,275	543,398	9,021,617

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### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

### Interest Rate Risk (continued) ਉ

The following table represents the Bank's financial assets and financial liabilities at carrying amounts as at 31 December 2022: (continued)

1-3 months RM'000 74,304 1,300 		Non	sensitive	0 RM'000 RM'000			- 718 2,669,101	- 1,997 420,153	1,408 1,052,579	8 - 1,668,958	- 1,951 386,766	- 1,912,812 1,912,812	9 1,918,886 8,110,369	G (1375, 188) 011,048
1-3 3-12 1-5 months wears RM'000 RM'000 RM'000 RM'000	×	ľ					1	•	- 1,051,17	- 1,668,95	5		' '	
1-3 3-12  months months RM'000 RM'000 RN 74,304 5,775  1,300 3,500	n-trading boo	4					ı		1		- 384,81		384,81	10 700)
1-3 months Im RIW:000 RI 74,304	ōN			œ			775	200	ŧ	ı	ı	1	275	700
									ı	,	ı	ı		
			ШOП	1114			2,588,304 74,	413,356 1,	,	,	i	ı	3,001,660 75,	ı
					2022	Financial liabilities	Deposit from customers	Deposit and placements of banks and other financial institutions	Securities sold under repurchase agreement	Derivative financial liabilities	Subordinated term loan	Other liabilities	Total financial liabilities	A characteristics to the control of

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 at 31 December 2021:

				Non-tra	Non-trading book			
	Up to 1	1-3 months	3 -12 months	1 -5 <u>years</u> DWnoon	Over 5	Trading book	Non interest sensitive	Total RM/000
	DOO IAIN	200 101	000					200
2021								
Financial assets								
Cash and short-term funds	1,435,162	•	ı	ı	•	i	834	1,435,996
Reverse repurchase agreement		ı	1	ı	•	311,711	2,921	314,632
Financial assets at FVTPL	1	•	ī	i	1	444,422	š	444,422
Financial investments at FVOCI	417,527	248,847	131,179	388,643	1	1	5,705	1,191,901
Loans, advances and financing	527,437	396,117	379,122	i	•	ı	(791)	1,301,885
Derivatives financial assets	,		1	•	1	706,669	ŀ	706,669
Other assets	•	f	1	t	1	E	68,967	68,967
Total financial assets	2,380,126	644,964	510,301	388,643	**	1,462,802	77,636	5,464,472
							Pilita	

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 at 31 December 2021: (continued)

	<u>Total</u> RM'000		2,142,425	416,102	552,740	387,635	1,112,035	4,610,937	853,535
	Non interest sensitive RM'000		312	39	t	498	1,112,035	1,112,884	(1,035,248)
	Trading book RM'000		ı	1	552,740	ı	1	552,740	910,062
Non-trading book	Over 5 <u>years</u> RM'000		t	ŧ	1	387,137	ì	387,137	(387,137)
Non-tr	1 -5 <u>years</u> RM'000		53	•	1	ŧ	ı	53	388,590
	3 -12 months RM'000		12,739	i	1	\$	t	12,739	497,562
	1-3 months RM'000		145,040	6,400	1	•	1	151,440	493,524
	Up to 1 month RM'000		1,984,281	409,663	•	1	ı	2,393,944	(13,818)
	<u>2021</u>	Financial liabilities	Deposit from customers	financial institutions	Derivative financial liabilities	Subordinated term loan	Other liabilities	Total financial liabilities	Net interest rate gap

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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 Dec	ember 2022	31 Dec	ember 2021
	Increase/	(Decrease)	Increase/(I	Decrease)
	+100 basis point RM'000	-100 basis point RM'000	+100 basis <u>point</u> RM'000	-100 basis point RM'000
Impact to profit (after tax)	13,219	(13,219)	4,443	(4,443)

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

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

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

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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 Dec	ember 2022	31 Dec	ember 2021
	Increase/(	Decrease)	Increase/(	Decrease)
	+100 basis <u>point</u> RM'000	-100 basis point RM'000	+100 basis point RM'000	-100 basis point RM'000
Impact to revaluation reserve-financial investments through other comprehensive income	(11,163)	11,163	(18,314)	18,314

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 at fair value through other comprehensive income 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.

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### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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:

	Up to 1 month RM'000	1 -3 months RM'000	3-12 months RM'000	1 -5 <u>years</u> RM'000	Over 5 years RM'000	No specific <u>maturity</u> RM'000	Total RM'000
<u>2022</u>							
Assets Cash and short-term funds Reverse repurchase agreements Financial assets at FVTPL Financial investments at FVOCI Loan, advances and financing	2,076,956 - 659,409 753,123	465,965 41 441,304 453,670	889,444 23,139 20,186 63,996	266,600	79,824	93,802	2,170,758 1,355,409 369,604 1,120,904 1,902,439
Derivative financial assets Other assets	346,043	431,657	235,074	435,154	115,948	4,549 534,078	1,568,425 534,078
Total Assets	3,835,531	1,792,637	1,231,839	1,086,154	427,169	648,287	9,021,617

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### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

### Liquidity Risk (continued) (e)

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	Reporting for Bar	for Banking Institutions: (continued)	(continued)		•		
	Up to 1 month RM'000	1 -3 <u>months</u> RM'000	3-12 months RM'000	1 -5 <u>years</u> RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
<u>Liabilities</u> Deposits from customers	2,588,917	74,359	5,825	1	1	i	2,669,101
and other financial institutions	394,069	1,303	3,517	3 1	- 508 137	21,264	420,153
Repuictase agreements Derivative financial liabilities Subordinated term loan	387,680	487,349	271,019	456,132	. 68,225 386.766	(1,447)	1,668,958 386,766
Other liabilities	3		mm ·	•	. 1	1,912,812	1,912,812
Total Liabilities	3,370,666	766,970	620,844	456,132	963,128	1,932,629	8,110,369
Net Liquidity Gap	464,865	1,025,667	610,995	630,022	(535,959)	(1,284,342)	911,248

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### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (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 <u>months</u> RM'000	3-12 <u>months</u> RM'000	1 -5 <u>years</u> RM'000	Over <u>5 vears</u> RM'000	No specific maturity RM'000	Total RM'000
2021							
Assets Cash and short-term funds	1,435,996	1	•	ı		•	1,435,996
Reverse repurchase agreements	10,037	ı	304,595	1	•	•	314,632
Financial assets at FVTPL	•	•	•	248,524	195,898	ı	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	1,301,885
Derivative financial assets	098'06	108,053	71,952	272,943	162,861	•	706,669
Other assets	i.	ı	1	l	ı	68,967	68,967
Total Assets	2,418,345	512,898	719,135	1,165,060	580,067	68,967	5,464,472
				446007444444444444444444444444444444444			

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### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

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

	ific <u>Irity</u> <u>Total</u> 000 RM'000	- 2,142,425	- 416,102 - 552,740 - 387,635 335 1,112,035	35 4,610,937	168) 853,535
	No specific maturity	ſ	- - 5 - 1,112,035	1,112,035	1 (1,043,068)
	Over 5 <u>years</u> RM'000		108,181 387,635	495,816	84,251
	15 <u>years</u> RM'000	53	155,250	155,303	1,009,757
ns: (continued)	3-12 months RM'000	12,793	127,218	140,011	579,124
for Banking Institutions: (continued)	1 -3 <u>months</u> RM'000	145,145	6,436 69,527 -	221,108	291,790
on Financial Reporting for Ba	Up to 1 month RM'000	1,984,434	409,666 92,564 -	2,486,664	(68,319)
requirements of BNM Guidelines on Financial Reporting		<u>Liabilities</u> Deposits from customers	Deposit and placement of banks and other financial institutions Derivative financial liabilities Subordinated term loan Other liabilities	Total Liabilities	Net Liquidity Gap

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### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## 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.

2022	Up to 1 month RM'000	1 -3 <u>months</u> RM'000	3 - 12 <u>months</u> RM'000	1 -5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities Deposits from customers Deposit and placement of banks and other financial institutions	2,589,222	74,682	5,888 3,559	1		1 1 6	2,669,792
Other liabilities Total Liabilities	2,999,989	75,993	9,447	9 F	1 1	1,912,812	4,998,241
2021							
Non-derivative financial liabilities Deposits from customers	1,984,549	145,495	12,887	53	1	1	2,142,985
Deposit and placement of banks and other financial institutions Other liabilities	350,786	4,421	i i	t t	1 1	1,112,035	355,207 1,112,035
Total Liabilities	2,335,335	149,916	12,887	53	ţ	1,112,035	3,610,227

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### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

Liquidity Risk (continued) (e)

Up to         1 -3         3-12         1 -5         Over No specific           1 month         months         years         5 years         maturity         Total           RM'000         RM'000         RM'000         RM'000         RM'000	20,536 40,745 127,803 72,858 1,000 - 262,942	(620) (4,395) (26,367) (350,953) (32,453) - (414,788)	14,856,856       25,343,644       7,176,973       2,382,500       333,680       - 50,093,653         (15,236,081)       (25,800,166)       (7,366,660)       (2,474,895)       (354,330)       - (51,232,132)	
	THE PERSON NAMED IN COLUMN TO THE PE	(350,953)	2,382,500 (2,474,895)	(216,054) (443,348) (53,103)
RM'000	40,745	(4,395)	25,343,644 (25,800,166)	(460,917)
RM'000	20,536	(620)	14,856,856 (15,236,081)	(379,845)
2022	Items not recognised in the Statement of Financial Position Financial guarantees	Net-settled derivatives	Gross-settled derivatives - Receipt - Payments	

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

31. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity Risk (continued)

(e)

Total RM'000	295,283	(155,356)	32,587,392 (33,016,989)	(584,953)
No specific maturity RM'000	\$	•	t t	•
Over 5 years RM'000	1,000	(19,259)	330,805 (411,373)	(99,827)
1 -5 <u>years</u> RM'000	85,692	(122,022)	1,129,622 (1,166,736)	(159,136)
3-12 months RM'000	98,126	(11,053)	11,269,067 (11,405,769)	(147,755)
1 -3 months RM'000	81,121	(1,172)	10,248,200 (10,330,600)	(83,572)
Up to 1 month RM'000	29,344	(1,850)	9,609,698 (9,702,511)	(94,663)
<u>2021</u>	Items not recognised in the Statement of Financial Position Financial guarantees	Net-settled derivatives	Gross-seured derivatives - Receipt - Payments	

### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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.

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### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

Currency Risk (continued) €

2022	MYR RM'000	USD RM'000	EUR RM'000	Others RM'000	<u>Total</u> RM'000
Assets Cash and short-term funds Reverse repurchase agreements Financial assets at FVTPL Financial investments at FVOCI Loans, advances and financing Derivative financial assets Other assets	2,108,165 1,355,409 369,604 461,495 1,218,624 1,258,272 373,164	3,869 - 659,409 526,409 186,910 160,915	690 - - 157,406 92,364 (12)	58,034	2,170,758 1,355,409 369,604 1,120,904 1,902,439 1,568,425 534,078
Total Assets	7,144,733	1,537,512	250,448	88,924	9,021,617
Liabilities Deposits from customers Deposits and placements of banks and other financial institutions Securities sold under repurchase agreement Derivative financial liabilities Other liabilities Subordinated term loan	1,557,322 23,072 1,346,033 109,653 3,036,080	1,043,694 238,072 597,214 255,482 1,793,675 -	35,986 153,943 455,365 34,581 6,951 386,766 1,073,592	32,099 5,066 32,862 2,533 72,560	2,669,101 420,153 1,052,579 1,668,958 1,912,812 386,766 8,110,369
Currency gap	4,108,653	(2,390,625)	(823,144)	16,364	

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### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED) 31.

Currency Risk (continued) €

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

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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:

	3	1 December 2022	3	1 December 2021
	<u>(D</u>	ecrease)/Increase	<u>(D</u>	ecrease)/Increase
		1% depreciation		1% depreciation
	1% appreciation in	in foreign	1% appreciation in	in foreign
	foreign currency	currency	foreign currency	currency
	RM'000	RM'000	RM'000	RM'000
Impact to profit				
(after tax)	(24,300)	24,300	(12,532)	12,532

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

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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:

			lated amount not statement of fina	
_	Gross amount of	•		
	recognised financial			
	assets/			
	financial	Financial	Financial	Net
	<u>liabilities</u> RM'000	<u>instrument</u> RM'000	<u>collateral</u> RM'000	<u>amount</u> RM'000
2022				
Assets Derivative financial assets	1,568,425	(877,228)	(524,172)	167,025
<u>Liabilities</u> Derivative financial liabilities	1,668,958	(877,228)	(1,849,159)	(1,057,429)
<u>2021</u>				
Assets Derivative financial assets	706,669	(442,257)	(62,008)	202,404
<u>Liabilities</u> Derivative financial liabilities	552,740	(442,257)	(1,057,583)	(947,100)

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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.

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### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

which fair value disclosures are provided, analysed by the various levels within the fair value hierarchy. It does not include those short-term/on 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 demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

alue	<u>Level 3</u> Total RM'000			1,355,409	- 369,604	1,120,904	1,954,653	32,302 1,568,425		- 2,669,101	- 420,153	1,052,579	8,467 1,668,958	- 313,836
Fair value	Level 2 Lev RM'000 RM'			,355,409	369,604	20,904	1,954,653			2,669,101	420,153	52,579	1,660,491 8,	313,836
	Level 1 RM'000 R			- 1,35	- 36	1,12	1,95	1,50		- 2,66	,	1,05	1,66	, γ
Carrying	amount RM'000			1,355,409	369,604	1,120,904	1,902,439	1,568,425		2,669,101	420,153	1,052,579	1,668,958	386,766
		2022	Financial Assets	Reverse repurchase agreements	Financial assets at FVTPL	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets	Financial Liabilities	Deposits from customers	Deposits and placements of banks and other financial institutions	Repurchase agreements	Derivative financial liabilities	Subordinated term loan

<sup>\*</sup> Denotes financial instruments not carried at fair value but fair value disclosure required.

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### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

# 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)

ase agreements         314,632         Level 2         Level 3           ase agreements         314,632         -         314,632         -           at EVTPL         444,422         -         444,422         -           tend financing*         1,191,901         -         1,191,901         -           ial assets         706,669         -         696,036         10,633           es         2,142,425         -         2,142,425         -           sial institutions         416,102         -         2,142,425         -           es         2,142,425         -         2,142,425         -         2,           sial institutions         552,740         -         416,102         -         -           m loan         387,635         -         317,080         -         -		Carrying			Fair value	
314,632 - 314,632 - 314,632 - 444,422 - 444,422 - 1,191,901 - 1,191,901 - 1,301,885 - 696,036 10,633 - 5,142,425 - 2,142,425 - 2,142,425 - 552,740 - 551,140 1,600 - 552,740 - 551,140 1,600 - 517,080		amount RM'000	RM'000	<u>Level 2</u> RM'000	Level 3 RM'000	Total RM'000
314,632 - 314,632 - 444,422 - 444,422 - 1,191,901 - 1,191,901 - 1,301,885 - 1,349,525 - 696,036 10,633 - 2,142,425 - 2,142,425 - 2,142,425 - 552,740 - 551,140 1,600 - 387,635 - 317,080 -						
314,632 - 314,632 - 444,422 - 444,422 - 1,191,901 - 1,191,901 - 1,349,525 - 706,669 - 696,036 10,633 - 2,142,425 - 2,142,425 - 552,740 - 551,140 1,600 317,080	Financial Assets					
444,422 - 444,422 - 1,191,901 - 1,191,901 - 1,301,885 - 1,349,525 - 696,036 10,633 - 696,036 10,633 - 2,142,425 - 2,142,425 - 2,142,425 - 552,740 - 551,140 1,600 - 387,635 - 317,080 -	purchase agreements	314,632	ı	314,632	ı	314,632
ks  1,191,901  1,191,901  1,301,885  1,349,525  706,669  2,142,425  2,142,425  416,102  552,740  387,635  - 1,191,901  - 1,191,901  - 1,191,901  - 1,191,901  - 2,142,425  - 2,142,425  - 317,080  - 1,600  - 387,635  - 317,080	issets at FVTPL	444,422	1	444,422	ı	444,422
ks	nvestments at FVOCI	1,191,901	1	1,191,901	1	1,191,901
ks 2,142,425 - 696,036 10,633 - 6,142,425 - 7,142,425 - 7,142,425 - 7,141,000 - 1,600	rances and financing*	1,301,885	ī	1,349,525	ł	1,349,525
of banks 2,142,425 - 2,142,425 - 2,  utions 416,102 - 416,102 -  552,740 - 551,140 1,600  as 387,635 - 317,080 -	Derivative financial assets	706,669	•	696,036	10,633	706,669
of banks 2,142,425 - 2,142,425 - 2,  utions 416,102 - 416,102 -  552,740 - 551,140 1,600  387,635 - 317,080 -	iabilities					
banks - 416,102 - 416,102 - 552,740 - 551,140 1,600 - 317,080	Deposits from customers	2,142,425	ı	2,142,425	•	2,142,425
552,740 - 551,140 1,600 387,635 - 317,080 -	deposits and placements of banks and other financial institutions	416,102	1	416,102	1	416,102
387,635 - 317,080	Derivative financial liabilities	552,740	1	551,140	1,600	552,740
	ed term loan	387,635	ı	317,080	1	317,080

<sup>\*</sup> Denotes financial instruments not carried at fair value but fair value disclosure required.

### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

Reconciliation of movements in Level 3 financial instruments

	<u>2022</u> RM'000	<u>2021</u> RM'000
Derivative Financial Assets As at 1 January	10,633	29,736
Gain recognised in profit or loss Realised Unrealised	(452) 22,121	(8,968) (10,135)
As at 31 December	32,302	10,633
<u>Derivative Financial Liabilities</u> As at 1 January Loss recognised in profit or loss	1,600	18,307
Realised Unrealised	6,867	(9,165) (7,542)
As at 31 December	8,467	1,600

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

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

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

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

### (i) Cash and short-term funds

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

### (ii) Reverse repurchase agreements

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

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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.

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### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

Relationship of unobservable	inputs to fair value	Adjustment to parameter based on review on first to default.
Significant	unobservable inputs	Credit default spreads beyond observation limit. Recovery rate variance.
Valuation and	techniques key inputs	Stripping, interpolation and extrapolation.
1 Dec 2021	Hierarchy	Level 3
value as at 3′	Assets Liabilities Hierarchy RM'000 RM'000	1,600
Fair	Assets RM'000	10,633
Dec 2022	Hierarchy	Level 3
alue as at 31	Assets Liabilities Hierarchy RM'000 RM'000	8,467
Fair v	Assets RM'000	32,302
Financial assets/	Financial liabilities	Credit derivatives Credit default swaps

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 33. CAPITAL ADEQUACY

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

	<u>2022</u> RM'000	<u>2021</u> RM'000
Tier 1 capital		
Paid-up share capital Retained profits Other disclosed reserves	650,000 255,828 22,780	650,000 210,278 17,017
	928,608	877,295
Less: Regulatory adjustments Intangible assets Deferred tax assets 55% of cumulative gains from financial instruments at FVOCI Hedging reserve Regulatory reserve	(4,348) (96) (4,073) (18,532)	(3,596) (965) (893) (14,369)
Total Tier 1 capital	901,559	857,472
Tier 2 capital  General provisions (Expected Credit Losses and regulatory reserve) Subordinated term loan	24,578 386,766	2,791 387,635
Total Tier 2 capital	411,344	390,426
Total Capital base	1,312,903	1,247,898
Capital Ratios		
Before deducting proposed dividend Common Equity Tier 1 Ratio Tier 1 Capital Ratio Total Capital Ratio	19.630% 19.630% 28.586%	24.584% 24.584% 35.777%
After deducting proposed dividend Common Equity Tier 1 Ratio Tier 1 Capital Ratio Total Capital Ratio	18.532% 18.532% 27.488%	24.562% 24.562% 35.756%

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 33. CAPITAL ADEQUACY (CONTINUED)

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

		2022		2021
		Risk		Risk
		weighted		weighted
	<u>Principal</u>	<u>assets</u>	<u>Principal</u>	<u>assets</u>
	RM'000	RM'000	RM'000	RM'000
Risk weight				
0%	2,368,271	-	1,911,291	-
20%	2,738,371	547,674	1,358,513	271,703
50%	161,741	80,870	94,122	47,061
100%	2,364,203	2,364,203	1,795,165	1,795,165
150%	6,650	9,975	-	
Credit risk		3,002,722		2,113,929
Market risk		1,386,747		1,083,291
Operational risk		203,294		290,757
Total risk-weighted assets		4,592,763		3,487,977

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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 2022 and 2021, and results for the financial year ended on the dates are summarised as follows:

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
ASSETS			
Cash and short-term funds Property, plant and equipment Intangible assets	(a) (c) (d)	42,180	39,411
TOTAL ASSETS		42,180	39,411
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers Other liabilities	(e) (f)	13,763 5,499	11,253 5,968
TOTAL LIABILITIES		19,262	17,221
Capital fund Accumulated losses		26,850 (3,932)	26,850 (4,660)
Islamic banking funds		22,918	22,190
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		42,180	39,411
COMMITMENTS AND CONTINGENCIES		-	••

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u> RM'000	<u>2021</u> RM'000
Income derived from investment of Islamic banking funds and depositors' funds Profit expense to depositors	(g)	759 (109)	548 (80)
Net income derived from investment of Islamic banking funds and depositors' funds		650	468
Other operating income Other operating expenses	(h) (i)	1,881 (1,803)	1,610 (1,695)
Profit before taxation		728	383
Income tax expense	(j)	-	<del>-</del>
Profit after taxation		728	383
Total comprehensive income		728	383

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BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

ISLAMIC BANKING WINDOW (CONTINUED)

34.

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

Total RM'000	22,190 728	22,918	21,807	22,190
Accumulated losses RM'000	(4,660) 728	(3,932)	(5,043) 383	(4,660)
Regulatory reserve RM'000	1 1	l l	1 1	1
Capital fund RM'000	26,850	26,850	26,850	26,850
	Balance as at 1 January 2022 Profit after taxation	Balance as at 31 December 2022	Balance as at 1 January 2021 Profit after taxation	Balance as at 31 December 2021

### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (a) CASH AND SHORT-TERM FUNDS

	<u>2022</u> RM'000	2021 RM'000
At amortised cost	11111 000	555
Cash and balances with licensed banks Money at call and deposit placements maturing	3,652	5,401
within one month	38,528	34,010
	42,180	39,411

### (b) LOANS, ADVANCES AND FINANCING

Funding extended to BNP Paribas Najmah under Profit Sharing Investment Account ("PSIA") are included in the Bank's loans, advances and financing. As of FY2022, the amount is RM Nil (FY2021: RM 30.02 million). The PSIA is a contract based on the Wakalah principle.

### (c) PROPERTY, PLANT AND EQUIPMENT

<u>2022</u>	Office equipment and <u>machinery</u> RM'000	Computer <u>equipment</u> RM'000	<u>Total</u> RM'000
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 at 31 December 2022		-	

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (c) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<u>2021</u>	Office equipment and <u>machinery</u> RM'000	Computer equipment RM'000	<u>Total</u> RM'000
	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 at 31 December 2021	-	-	<u> </u>
(d)	INTANGIBLE ASSETS			
	Computer Software		<u>2022</u> RM'000	<u>2021</u> RM'000
	Cost At 1 January/31 December		41	41
	Accumulated amortisation At 1 January Amortisation for the year		41	41
			41	41
	Net Book Value		<u> </u>	-

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (e) DEPOSITS FROM CUSTOMERS

(0)		1101110111000	I OIVIE								
									<u>2022</u> RM'000	R	<u>2021</u> M'000
	Non-Mu	t <u>ised Cost</u> dharabah Fund nd deposits							13,763	<u> </u>	11,253
	(i)	The deposits are	e sourc	ed from	the follo	owing	types c	of cu	stomers:		
									<u>2022</u> RM'000	R	<u>2021</u> M'000
		Non-bank financ	ial insti	tutions					13,763		11,253
(f)	OTHER	LIABILITIES									
									<u>2022</u> 1'000		<u>2021</u> 1'000
	Other pa	ayables							5,499		5,968
(g)		E DERIVED F ITORS' FUNDS	ROM	INVEST	FMENT	OF	ISLAN	/IC	BANKING	FUNDS	AND
									<u>2022</u> RM'000	R	<u>2021</u> M'000
		at call and depos al institutions	it place	ment wit	h				759	<u> ann an American an American</u>	548

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (h) OTHER OPERATING INCOME

			<u>2022</u> RM'000	<u>2021</u> RM'000
	Con	ncome: nmission er fee income		1 187
		gn exchange ırealised gain	106	78
	Other	rs	1,775	1,344
			1,881	1,610
(i)	OTH	ER OPERATING EXPENSES		
			<u>2022</u> RM'000	<u>2021</u> RM'000
	Estab Mark	onnel costs (Note i) olishment costs (Note ii) eting expenses (Note iii) nistration and general expenses (Note iv)	1,428 114 35 226	1,359 121 1 214
	(i)	Personnel costs	1,803	1,695
	(7)	Salaries bonuses and allowance Defined contribution retirement plan Other staff related expenses	1,131 205 92 1,428	1,020 173 166 1,359

### BNP PARIBAS MALAYSIA BERHAD

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (j) OTHER OPERATING EXPENSES (CONTINUED)

### (ii) Establishment costs

	<u>2022</u> RM'000	<u>2021</u> RM'000
Rental of premises Information technology costs Others	79 13 22	80 13 28
	114	121
(ii) Marketing expenses		
Others	35	1
	35	1
(iii) Administration and general expenses		
Legal and professional fees	128	137
Communication and transportation Others	18 80	19 58
	226	214

Included in administration and general expenses is the Shariah Committee's remuneration of RM126,000 (2021: RM135,000).

### (j) INCOME TAX EXPENSE

There is RM Nil income tax expense under Islamic Banking Window as the taxation will be assessed at BNP Paribas Malaysia Berhad's level.

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 34. ISLAMIC BANKING WINDOW (CONTINUED)

### (k) CAPITAL ADEQUACY

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

	<u>2022</u> RM'000	<u>2021</u> RM'000
Tier-1 capital		
Paid-up share capital Accumulated losses	26,850 (3,932)	26,850 (4,660)
Total Tier 1 capital	22,918	22,190
Total Capital base	22,918	22,190
Capital Ratios		
Common Equity Tier 1 Ratio Tier 1 Capital Ratio Total Capital Ratio	576.408% 576.408% 576.408%	525.331% 525.331% 525.331%

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

	Principal RM'000	2022 Risk weighted <u>assets</u> RM'000	Principal RM'000	2021 Risk weighted <u>assets</u> RM'000
Risk weight 0% 20% 100%	39,147 3,005 27	601 27	34,742 4,659 10	932 10
Credit risk Market risk Operational risk		628 2,038 1,310		942 1,973 1,309
Total risk-weighted assets		3,976		4,224

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### UPDATE OF LIBOR REFORM

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR") play a critical role in global financial markets, serving as reference rates for derivatives, financing and securities, and as parameters in the valuation of financial instruments. In recent years, regulators, central banks and market participants have been working towards a transition to alternative risk free benchmark reference rates (RFRs) and market led working groups in respective jurisdictions have recommended alternative risk free reference rates, which are gradually being adopted in replacement of IBORs.

The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

Locally, Bank Negara Malaysia ("BNM") has established key signposts to ensure that banks adequately prepare for and manage a smooth transition away from IBORs. 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.

In addition, BNM has announced the launch of the Malaysia Overnight Rate ("MYOR") as the new alternative RFRs for Malaysia and the MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate ("KLIBOR") with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. Publication of the 2 and 12 month KLIBOR tenors has been discontinued, which are the least referenced rates in the market for financial contracts, on 1 January 2023, while 3 and 6 month KLIBOR tenors will continue to reflect an active underlying market.

In other major jurisdiction, GBP LIBOR was replaced by Sterling Overnight Index Average ("SONIA") with effect from 1 January 2022, while USD LIBOR will be replaced by Secured Overnight Financing Rate ("SOFR") from 1 July 2023. There are no specific timelines to date for the replacement of EURIBOR.

Based on the progress made to date, notably with the definition of a detailed plan and its execution, the Bank is confident in its operational capacity to manage the transition process of large volumes of transactions to the new benchmark rates. The reform of IBOR rates exposes the Bank to various risks that the programme aims to manage closely, including in particular:

- Change management risks, but also litigation and conduct risks linked to negotiations with customers and market counterparties to amend existing contracts;
- Operational risks related to changes in the Bank's IT systems and processes;
- Economic risks in the event of financial market disturbances linked to the various transitions brought about by the IBOR reform;
- Valuation risks in a scenario of reduced liquidity during the transition in certain derivative market segments.

### BNP PARIBAS MALAYSIA BERHAD (Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 35. UPDATE OF LIBOR REFORM (CONTINUED)

As at 31 December 2022, 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:

		al amount as at December 2022 <u>Liabilities</u> RM'000	Of which, have ye an alternative ber as at 31 <u>Assets</u> RM'000	
Derivatives Asset/(Liabilities)	71,727,176	(73,193,783)	31,802,896	(27,218,843)
		g amount as at ecember 2022 <u>Assets</u> RM'000	Of which, have yet an alternative bend as at 31 D	
Loans, advances and financing (Gross)		1,908,236		859,378

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:

•		al amount as at December 2021	Of which, have yet to transition to an alternative benchmark interest as at 31 December 2021		
	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	
Derivatives	TAIN 000	NW 000	1 (W) 000	1111 000	
Asset/(Liabilities)	58,035,425	(47,681,088)	30,745,152	(16,954,726)	
			Of which, have yet		
	, -	amount as at ecember 2021	an alternative bend as at 31 D	chmark interest December 2021	
-		Assets		Assets	
		RM'000		RM'000	
Loans, advances and financing (Gross)		1,304,456		749,671	

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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 at 31 December 2022 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 31 May 2023.

DATO' MOHAMED KHADAR BIN MERICAN

FAISAL BIN ISMAIL

Kuala Lumpur 31 May 2023

### BNP PARIBAS MALAYSIA BERHAD

(Incorporated in Malaysia)

### STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE BANK PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

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 31 May 2023.

COMMISSIONER FOR OAPHS MUHAMMAD FAIZ DHARMENDRA
BIN ABDULLAH

O1 AN 2021 - 31 DEC 2023

No. 30 Tingkat Bawah, Blok B,
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