BASEL II PILLAR 3 REPORT

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

31 DECEMBER 2024

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INTRODUCTION

The Pillar 3 Disclosure for BNP Paribas Malaysia Berhad ("BNPPMB" or "the Bank") complies with the Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework ("RWCAF") – Disclosure Requirements ("Pillar 3") and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3"), which is the equivalent of that issued by the Basel Committee on Banking Supervision ("BCBS") and the Islamic Financial Services Board ("IFSB"), entitled "International Convergence of Capital Measurement and Capital Standards" and "Capital Adequacy Standard" (commonly referred to as Basel II).

BNP Paribas Malaysia Berhad is a subsidiary of BNP Paribas Group ("the Group"). Details about strategies, processes and organization of risk management within BNP Paribas Group as well as its capital adequacy can be found in its Pillar 3 disclosure, as part of its Registration Document, at https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports.

1. SCOPE OF APPLICATION

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

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

2. CAPITAL ADEQUACY

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

a) Credit risk (Standardised Approach) ;

b) Market risk (Standardised Approach) ; and

c) Operational risk (Basic Indicator Approach).

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

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

BANK	31 December 2024			
	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
Exposure Classes	RM'000	RM'000	RM'000	RM'000
(a) Credit Risk				
i) On-Balance Sheet Exposures				
Sovereign/Central Banks	2,084,624	2,084,624	177,819	14,226
Banks, Development Financial Insitutions & MDBs	108,006	108,006	21,601	1,728
Corporates	1,764,499	1,764,499	1,764,499	141,160
Other Assets	138,850	138,850	50,019	4,002
	4,095,979	**4,095,979**	**2,013,938**	**161,116**
ii) Off-Balance Sheet Exposures*				
OTC Derivatives	1,764,347	1,328,196	655,758	52,461
Off balance sheet exposures other than OTC derivatives or credit derivatives	407,126	407,126	372,408	29,793
	2,171,473	**1,735,322**	**1,028,166**	**82,254**
Total On-Balance Sheet and Off Balance Sheet Credit Risk	**6,267,452**	**5,831,301**	**3,042,104**	**243,370**
(b) Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	919,336	911,049	877,014	70,161
Foreign Currency Risk	33,627	47,027	47,025	3,762
Option Risk			6,725	538
Total Market Risk			**930,764**	**74,461**
(c) Operational Risk			**243,010**	**19,441**
(d) Total Exposures, Risk Weighted Assets and Capital Requirements	**6,267,452**	**5,831,301**	**4,215,878**	**337,272**

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

Table 1: Risk-weighted Assets and Capital Requirements

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

BANK	31 December 2023			
	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
Exposure Classes	RM'000	RM'000	RM'000	RM'000
(a) Credit Risk				
i) On-Balance Sheet Exposures				
Sovereign/Central Banks	2,098,476	2,098,476	181,849	14,548
Banks, Development Financial Insitutions & MDBs	81,622	81,622	16,324	1,306
Corporates	1,604,296	1,604,296	1,604,296	128,344
Other Assets	221,290	221,290	73,009	5,841
	4,005,684	**4,005,684**	**1,875,478**	**150,039**
ii) Off-Balance Sheet Exposures*				
OTC Derivatives	1,750,555	950,012	334,982	26,799
Off balance sheet exposures other than OTC derivatives or credit derivatives	405,951	405,951	332,714	26,617
Defaulted Exposures	6,650	6,650	9,975	798
	2,163,156	**1,362,613**	**677,671**	**54,214**
Total On-Balance Sheet and Off Balance Sheet Credit Risk	**6,168,840**	**5,368,297**	**2,553,149**	**204,253**
(b) Market Risk	**Long Position**	**Short Position**		
Interest Rate Risk	910,536	849,586	1,570,432	125,635
Foreign Currency Risk	53,788	57,577	59,788	4,783
Option Risk			28,713	2,297
Total Market Risk			**1,658,933**	**132,715**
(c) Operational Risk			**143,527**	**11,482**
(d) Total Exposures, Risk Weighted Assets and Capital Requirements	**6,168,840**	**5,368,297**	**4,355,609**	**348,450**

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

Table 1: Risk Weighted Assets and Capital Requirements

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

ISLAMIC BANKING WINDOW	31 December 2024			
	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
Exposure Classes	RM'000	RM'000	RM'000	RM'000
(a) Credit Risk				
i) On-Balance Sheet Exposures				
Sovereign/Central Banks	44,797	44,797	-	-
Banks, Development Financial Insitutions & MDBs	1,951	1,951	390	31
Other Assets	158	158	158	13
Total On-Balance Sheet and Off Balance Sheet Credit Risk	**46,906**	**46,906**	**548**	**44**
(b) Market Risk	**Long Position**	**Short Position**		
Foreign Currency Risk	1	23	**23**	**2**
(c) Operational Risk			**2,191**	**175**
(d) Total Exposures, Risk Weighted Assets and Capital Requirements	**46,906**	**46,906**	**2,762**	**221**

ISLAMIC BANKING WINDOW	31 December 2023			
	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirement
Exposure Classes	RM'000	RM'000	RM'000	RM'000
(a) Credit Risk				
i) On-Balance Sheet Exposures				
Sovereign/Central Banks	46,713	46,713	-	-
Banks, Development Financial Insitutions & MDBs	7,991	7,991	1,598	128
Other Assets	119	119	119	10
Total On-Balance Sheet and Off Balance Sheet Credit Risk	**54,823**	**54,823**	**1,717**	**138**
(b) Market Risk	**Long Position**	**Short Position**		
Foreign Currency Risk	2,232	25	**2,231**	**179**
(c) Operational Risk			**1,868**	**149**
(d) Total Exposures, Risk Weighted Assets and Capital Requirements	**54,823**	**54,823**	**5,816**	**466**

Table 1: Risk Weighted Assets and Capital Requirements

3. CAPITAL STRUCTURE

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

- Tier 1 capital comprises issued and fully paid-up capital, retained profits, reserves and the deduction of certain regulatory adjustments.
- Tier 2 capital comprises general provisions (i.e. expected credit losses and regulatory reserve), which subject to a maximum of 1.25% of total credit RWA under Standardised Approach, and subordinated term loan.

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

BANK	As at 31 December 2024 RM'000	As at 31 December 2023 RM'000
Common Equity Tier 1 Capital/ Tier 1 Capital:		
Paid-up share capital	650,000	650,000
Retained profits	239,793	277,067
Other disclosed reserves	22,793	20,310
	912,586	947,377
Less: Regulatory adjustments		
Intangible assets	(82)	(145)
Deferred tax assets	(4,462)	(2,946)
55% of cumulative gains from financial instruments at FVOCI	(92)	(95)
Hedging reserve	597	(1,605)
Regulatory reserve	(23,223)	(18,532)
Total Common Equity Tier 1 Capital/ Tier 1 Capital	**885,324**	**924,054**
Tier 2 Capital:		
General provisions (Expected credit losses and regulatory reserve)	26,074	22,938
Subordinated term loan	384,907	420,188
Total Tier 2 Capital	**410,981**	**443,126**
Total Capital Base	**1,296,305**	**1,367,180**
Before deducting proposed dividend		
Common Equity Tier 1 Capital Ratio (1)	**21.000%**	**21.215%**
Tier 1 Capital Ratio (2)	**21.000%**	**21.215%**
Total Capital Ratio (3)	**30.748%**	**31.389%**
After deducting proposed dividend **		
Common Equity Tier 1 Capital Ratio (1)	**18.886%**	**19.569%**
Tier 1 Capital Ratio (2)	**18.886%**	**19.569%**
Total Capital Ratio (3)	**28.635%**	**29.743%**

Note:
(1) Minimum Common Equity Tier 1 Capital Ratio is 4.5%
(2) Minimum Tier 1 Capital Ratio is 6.0%
(3) Minimum Total Capital Ratio is 8.0%

*** The proposed dividend is in respect of financial year ended 31 December 2024.*

Table 2: Constituent of Eligible Capital and Capital Adequacy Ratios

The following table depicts the regulatory capital structure and capital adequacy ratios of the Islamic Banking Window.

ISLAMIC BANKING WINDOW	As at 31 December 2024 RM'000	As at 31 December 2023 RM'000
Common Equity Tier 1 Capital/Tier 1 Capital:		
Capital fund	26,850	26,850
Accumulated losses	(2,575)	(3,242)
Other disclosed reserves	(6)	4
	24,269	23,612
Less: Regulatory adjustments		
Deferred tax assets	(2)	-
55% of cumulative gains from financial instruments at FVOCI	-	(2)
Total Common Equity Tier 1 Capital/Tier 1 Capital	**24,267**	**23,610**
Total Capital Base	**24,267**	**23,610**
Common Equity Tier 1 Capital Ratio (1)	**878.602%**	**405.936%**
Tier 1 Capital Ratio (2)	**878.602%**	**405.936%**
Total Capital Ratio (3)	**878.602%**	**405.936%**

Note:
(1) Minimum Common Equity Tier 1 Capital Ratio is 4.5%
(2) Minimum Tier 1 Capital Ratio is 6.0%
(3) Minimum Total Capital Ratio is 8.0%

Table 2: Constituent of Eligible Capital and Capital Adequacy Ratios

4. RISK MANAGEMENT

Risk Management Framework

The framework objectives are:

- Define and maintain a framework (including policies, procedures, controls and systems), through which the Risk Appetite Statement is established, updated, communicated and monitored, under the leadership of the Bank's "Dirigeants Effectifs" and in close coordination with the business lines, which is reviewed and validated by the Board of Directors.

- Define and maintain, in relation with the relevant stakeholders, a framework to anticipate the evolutions of the economic, industrial and regulatory environment. This framework notably encompasses, jointly with Finance, and in liaison with Asset and Liability Management & Treasury ("ALMT"):

    - the processes of identification of the material and emerging risks within the Bank.
    - the steering of the stress-testing framework, to support the performance of scenario-based projections of the risk profile of the Bank.
    - the steering of the Internal Capital Adequacy Assessment Process ("ICAAP") framework and the supervision of local ICAAPs, to manage the capital adequacy of the Bank.

- Ensure that the Bank's risk-taking policy and the risks generated by the Bank's activities comply and are compatible with its strategic objectives and its underlying Risk Appetite's qualitative statements and quantitative metrics.

- Inform and alert the management, the Bank's "Dirigeants Effectifs", and the Board of Directors on the status of the risks to which the Bank is exposed.

- Define and implement, jointly with relevant stakeholders, the governance framing the decision-making process for decisions having an impact on the Bank's risk profile.

- Develop and maintain processes, controls and systems to identify, measure, aggregate, monitor and report on risks in a reliable and comprehensive manner (for risks that are not explicitly within its remit, risk function will coordinate with the other concerned independent control functions to ensure the consistency of the risk measure, aggregation, monitoring and reporting framework).

- Ensure the correct and swift implementation of the decisions taken.

- Define, jointly with the Compliance function, the framework for the validation of new activities and exceptional transactions and contribute to its effective implementation.

- Define, develop, implement and maintain, in collaboration with relevant stakeholders, the framework and associated resources related to the second line of defence over privacy and personal data protection, in compliance with the applicable laws and regulations.

- In coordination with the relevant stakeholders, define and integrate the environmental, social and governance risk factors into the risk management activities.

- Ensure compliance with banking regulations related to risk management activities and requirements from the regulators as follows :
    - Articulation between the Risk Appetite Statement and its strategy and business model.
    - Maintenance and performance of processes ensuring the adequacy between the capital and liquidity needs.
    - Production of reports and analyses on the risks to which the Bank is exposed. The production of the periodic regulatory reporting synthesis related to credit risk, market risk and operational risk are done by Finance.

- Maintain, in coordination with the relevant stakeholders, the relationship with the Bank's regulators and supervisors to answer questions and address possible concerns regarding risks and risk management activities that are within Risk's remit;

- Steer the activities ensuring operational efficiency and effectiveness including its IT infrastructure and systems;

- Contribute to the steering of the framework supporting the development and the growth of the risk culture within the Bank.

Risk interacts on a permanent basis with the other control functions of the Bank, whether they are integrated (Compliance, Legal and Inspection Générale) or not (Finance), to aim at coordinating activities and actions.

Risk defines a set of level-2 and level-3 procedures that it maintains in line with legal, regulatory and internal evolutions.

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

The Risk Appetite principles include environmental and social risk drivers. The Bank firmly believes in the need to preserve the natural environment and the importance of climate-related risks and opportunities. Accordingly, the BNPP Group commits to support the financing of the energy transition and more generally, the transition to a sustainable economy.This implies reducing the negative climate and environmental footprint of its activities (whether direct or indirect): impacts from its own operations, its supply chain and its banking activities (in terms GreenHouse Gas ("GHG") emissions, pollution other than GHG or natural capital degradation and biodiversity loss) as well as taking part in collective actions to further improve reporting and methodological initiatives for a better integration of the environment-related transition and physical risks in business and financial decisions.

Risk Governance

In the case of BNPPMB, the governing body in charge of the overall oversight and stewardship of the Bank is the local Board of Directors ("BOD") that carries out its roles and responsibilities in line with the relevant guidelines of the BNP Paribas Group, and local laws and regulations.

BOD will ensure that appropriate steps are taken to ensure that business and operational decisions are aligned with the risk appetite statement. This includes management's implementation of internal control framework, and adherence to the risk appetite statement. The BOD will also ensure that all control functions and internal audit have the proper authority to carry out their duties independently and effectively.

The BOD is given the means and ability to seek information on risk implications as appropriate before coming to any conclusion or making any significant policy decisions.

The BOD, directly or through its sub-committees, exercises essential duties regarding Internal Control. In particular, the BOD:

- Determines, further to proposals by the "Dirigeants Effectifs" the strategy and orientations of internal control activities and oversees their implementation.
- Examines and approves financial statements, supervises the management of the Bank and oversees the quality and reliability of financial information communicated to the shareholders and the markets; to this extent, it performs or requests the performance of any controls and checks it considers appropriate.

- Takes up any matter concerning the sound functioning of the Bank.
- Examines, assesses and controls regularly the efficiency of the framework of governance, notably the clear allocation of responsibilities, and of Internal Control, especially the procedures for reporting risks, and takes appropriate measures to remedy potential deficiencies it observes.
- Validates the Risk Appetite Statement, periodically approves and reviews strategies and policies surrounding the Bank's activities.
- Reviews, at least once a year, proposals of budgets, of management reports and of various legal or regulatory reports.
- Reviews special assignments that report the sequences of events and determine responsibilities of the employees involved in suspicious or fraudulent operations.
- Fact-finding and research assignments, aimed at anticipating risks or threats to which the Bank may be exposed.

The roles and responsibilities of the respective BOD committees:

Name of Committee	Roles and Responsibilities
Board Risk Management	To oversee management's activities in managing various risks such as credit, market, liquidity, operational including Information Technology ("IT") risk, shariah non-compliance risk, legal and other risks, and to ensure that the risk management process is in place and functioning.
Audit Committee	To oversee on matters relating to the internal and external audit functions, financial reporting, internal control system and ensuring checks and balances.
Remuneration Committee	To oversee on matters related to the remuneration policy for directors, in-scope officers or employees.
Nomination Committee	To oversees on matters related to the appointment of members of Board of Directors, Chief Executive Officer and in-scope officers or employees, including fit and proper assessment and performance evaluation.

Shariah Committee

Shariah committee provides guidance to the Board and Management in discharging their duties in matters related to shariah governance and compliance.

Management

The "Dirigeants Effectifs" are the Chief Executive Officer ("CEO") and the Chief Operating Officer ("COO"). Operationally, the "Dirigeants Effectifs" take their main decisions with the support of relevant management committees and of the most relevant experts in the area under review.

The "Dirigeants Effectifs" are responsible for the internal control framework. To fulfil these responsibilities and without prejudice of the ones of the Board of Directors, the "Dirigeants Effectifs":

- Set the main policies and procedures which organize the internal control framework.
- Directly oversee the Functions exercising independent controls and provide them with the resources enabling them to fulfil their responsibilities.
- Assess and periodically control the effectiveness of the Internal Control policies, procedures and framework and decides upon appropriate remediation actions further to potential deficiencies.
- Report to the Board or to its sub-committees on the functioning of the internal control framework.
- Assess special assignments that report the sequences of events and determine responsibilities of the employees involved in suspicious or fraudulent operations.

The roles and responsibilities of key management committees:

Name of Committee	Roles and Responsibilities
Executive Committee ("EXCO")	To oversee and discuss any important matters, current and upcoming, in relation to the running of the bank.
Extended EXCO	To oversee and discuss on capital management and planning.
Executive Risk Committee	To monitor credit, market, operational, legal, financial and any other relevant risks not covered in a dedicated committee, and to review and critically evaluate or self-assess on an ongoing basis the effectiveness of the Bank's risk management policies and framework.
Credit Committee	To determine appropriate credit evaluation, review and monitoring including risk related to environmental, social and governance ("ESG").

Name of Committee	Roles and Responsibilities
Asset and Liability Management Committee	To ensure that the management of assets and liabilities as set out in ALMT framework that is consistent with the objectives and strategies of the Bank.
Territory Compliance Committee	To ensure the implementation of the established compliance frameworks, assessment of compliance related risk and implementing corrective action plans for any identified shortcoming or non-compliance.
Territory Internal Control Committee	To provide an overview of the Bank's permanent control framework and operational risks, and serves as the governance for a collegial analysis and decision process on these topics i.e. to validate the action plans needed to put identified risk areas under control, procedures, control plans and outputs, resources, other actions and means.
Country Client and Credit Support Committee	To provide a regular forum between Business Lines, Coverage, Client Management, Compliance, Coverage and Territories Credit Management ("CTCM") and Credit Transaction Management ("CTM") to discuss and follow-up on Client Onboarding, Know-Your-Client ("KYC") or Due Diligence, Client Servicing, and credit related matters.
Outsourcing Committee	To review, deliberate and endorse any new and/or evolution of existing outsourcing arrangements; to review the performance and risk indicators, and compliance with outsourcing framework and outsourcing risk appetite.
IT Steering Committee	To facilitate development, monitoring and implementation of an effective data management and MIS framework in alignment with business and risk strategies.
Business Continuity Committee	To safeguard the security of staffs and visitors in the premises during crisis, to safeguard the Bank's reputation and contain the risk during the crisis which may impact the stability in the financial market.
FRS 9 Committee	To determine the appropriate credit provision level which may include tightening of the staging criteria or deciding to add a buffer to the calculated expected credit loss ("ECL") figures.
Client Acceptance Committee	To provide an overview, validation or approval framework as relevant, for KYC completion and recertification process including on ESG validation.

Name of Committee	Roles and Responsibilities
Technology Risk Management Committee	To provide an overview of management of technology or ICT risks and related governance including regulatory ICT requirements.
Policies and Procedures Management Committee	To provide an overview of applicability of Group driven policies and procedures, and the status of repository of local policies and procedures.
Data Protection Committee	To provide an overview of data protection matters related to customer and staff data, breaches and regulatory updates aligned with regional and local regulatory requirements e.g. Management of Customer Information and Permitted Disclosures ("MCIPD"), Personal Data Protection Act ("PDPA").

Risk Measurement

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

Risk Reporting and Monitoring

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

5. CREDIT RISK

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

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

- Sovereign risk is the sum of all exposures to the central government and its various offshoots.
- Country risk is the sum of all exposures to obligors in a given country. Country risk reflects the Bank exposure to a given economic and political environment, which is taken into consideration when assessing counterparty quality.
- Migration risk is the possible improvement or deterioration of borrower's credit standing, which migrates into another risk class or eventually default.
- 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.

Risk Governance, Reporting and Monitoring

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 in line with the requirements from Bank Negara Malaysia. 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, up to the General Management Doubtful and Watch List Committee, are under the supervision of Regional 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 quarterly 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 or regional delegation level are recommended to Head Office.

In addition, at Asia Pacific ("APAC") level, a collective impairment is established while a dedicated local management committee is also established to provide the necessary oversight. On a regular basis, Corporate Credit Control in liaison with the Chief Risk Officer produces a summary of main credit exposures, together with any existing exceptions and report to the Executive Risk Committee and Board of Directors through the Board Risk Management Committee. Additionally, there would be regular review of the credit risk weighted assets by Extended Executive Committee ("EXCO").

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 counterparties. 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 33 notches, where 31 notches (ranging from 1+ to 10-) cover counterparties that are not in default with credit assessments ranging from 'excellent' to 'very concerning', and 2 notches (ranging from 11 to 12) 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 tools 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.

Risk mitigation techniques

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

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

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, 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 derivatives' 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.

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 close-out netting balance 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") and Global Master Repurchase Agreement ("GMRA").

Risk Measurement

The Bank is adopting the Standardised Approach in calculating Credit Risk Weighted Assets ("RWA"). The standardised approach measures credit risk either pursuant to fixed risk weights which are predefined by the regulator, or through the application of external ratings.

<u>Measurement of Expected Credit Loss</u>

The determination of collective impairment, known as Expected Credit Losses ("ECL"), 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 ECL 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.

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 effective interest rate ("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.

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).

Credit Concentration Risk

As outlined in the BNPP Global Credit policy adopted by BNPPMB, diversification of the Bank's portfolio is considered essential to sound risk management. In addition to the adoption of the Group's specific polices such as the Single Name Concentration Policy for Corporates, BNPPMB has also developed its own Single Counterparty Exposure Limit ("SCEL") policy and procedure, and Lending to Connected Parties Policy, that is to be read as a complement to the financial risk management policies.

5.1. Distribution of Credit Exposures

(i) Credit Exposures by Geographic Distribution

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

31 December 2024

BANK	Malaysia	United Kingdom	France	Hong Kong	Singapore	Thailand	Others	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	2,084,624	-	-	-	-	-	-	2,084,624	2,084,624
Banks, DFIs and MDBs	62,692	339	2,044	5,820	23,124	-	13,987	108,006	108,006
Corporates	1,764,499	-	-	-	-	-	-	1,764,499	1,764,499
Other Assets	135,233	-	3,604	-	-	-	13	138,850	138,850
Commitments and Contingencies	1,820,309	28	269,910	1,726	27,864	3,746	47,891	2,171,473	1,735,322
	5,867,357	**367**	**275,558**	**7,546**	**50,988**	**3,746**	**61,891**	**6,267,452**	**5,831,301**

31 December 2023

BANK	Malaysia	United Kingdom	France	Hong Kong	Singapore	Thailand	Others	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	2,098,476	-	-	-	-	-	-	2,098,476	2,098,476
Banks, DFIs and MDBs	52,057	1,154	262	853	11,776	32	15,488	81,622	81,622
Corporates	1,604,296	-	-	-	-	-	-	1,604,296	1,604,296
Other Assets	221,290	-	-	-	-	-	-	221,290	221,290
Commitments and Contingencies	1,465,437	56	656,973	7,215	11,046	14,000	8,429	2,163,156	1,362,613
	5,441,556	**1,210**	**657,235**	**8,068**	**22,822**	**14,032**	**23,917**	**6,168,840**	**5,368,297**

Table 3: Credit Exposures by Geographic Distribution

(i) Credit Exposures by Geographic Distribution

The following table depicts the geographical distribution of the Islamic Banking Window's credit exposures, based on the country of incorporation or residence:

31 December 2024				
ISLAMIC BANKING WINDOW	Malaysia	Others	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	44,797	-	44,797	44,797
Banks, DFIs and MDBs	-	1,951	1,951	1,951
Other Assets	158	-	158	158
	44,955	**1,951**	**46,906**	**46,906**

31 December 2023				
ISLAMIC BANKING WINDOW	Malaysia	Others	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	46,713	-	46,713	46,713
Banks, DFIs and MDBs	229	7,762	7,991	7,991
Other Assets	119	-	119	119
	47,061	**7,762**	**54,823**	**54,823**

Table 3: Credit Exposures by Geographic Distribution

(ii) Credit Exposures by Sectorial Analysis or Industrial Distribution

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

31 December 2024

BANK	Government & Central Banks	Finance, Insurance & Business Services	Electricity, gas and water	Manufacturing	Construction	Wholesale & Retail	Real Estate	Transport, Storage & Communication	Mining & Quarrying	Other Business Services	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	2,084,624	-	-	-	-	-	-	-	-	-	2,084,624	2,084,624
Banks, DFIs and MDBs	-	108,006	-	-	-	-	-	-	-	-	108,006	108,006
Corporates	-	56,472	198,612	946,446	8,654	222,049	1,150	139,624	4,000	187,492	1,764,499	1,764,499
Other Assets	-	112,177	91	4,243	1	51	7	58	22	22,200	138,850	138,850
Commitments and Contingencies	56,913	1,593,193	20,436	399,806	14,285	43,294	-	1,462	1,179	40,906	2,171,473	1,735,322
	2,141,537	**1,869,848**	**219,139**	**1,350,495**	**22,940**	**265,394**	**1,157**	**141,144**	**5,201**	**250,598**	**6,267,452**	**5,831,301**

31 December 2023

BANK	Government & Central Banks	Finance, Insurance & Business Services	Electricity, gas and water	Manufacturing	Construction	Wholesale & Retail	Real Estate	Transport, Storage & Communication	Mining & Quarrying	Other Business Services	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	2,098,476	-	-	-	-	-	-	-	-	-	2,098,476	2,098,476
Banks, DFIs and MDBs	-	81,622	-	-	-	-	-	-	-	-	81,622	81,622
Corporates	-	41,909	215,315	753,363	8,580	247,035	4,975	147,644	4,000	181,475	1,604,296	1,604,296
Other Assets	170	192,018	127	3,487	8	380	31	102	26	24,941	221,290	221,290
Commitments and Contingencies	17,560	1,720,474	10,298	299,831	11,506	31,305	-	3,378	1,727	67,077	2,163,156	1,362,613
	2,116,206	**2,036,023**	**225,740**	**1,056,681**	**20,094**	**278,720**	**5,006**	**151,124**	**5,753**	**273,493**	**6,168,840**	**5,368,297**

Table 4: Credit Exposures by Sectorial Analysis or Industrial Distribution

(ii) Credit Exposures by Sectorial Analysis or Industrial Distribution

The following table depicts the Islamic Banking Window's credit exposures by sector analysis or industrial distribution:

31 December 2024

ISLAMIC BANKING WINDOW	Government & Central Banks	Finance, Insurance & Business Services	Other Business Services	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	44,797	-	-	44,797	44,797
Banks, DFIs and MDBs	-	1,951	-	1,951	1,951
Other Assets	158	-	-	158	158
	44,955	**1,951**	**-**	**46,906**	**46,906**

31 December 2023

ISLAMIC BANKING WINDOW	Government & Central Banks	Finance, Insurance & Business Services	Other Business Services	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign/ Central Bank	46,713	-	-	46,713	46,713
Banks, DFIs and MDBs	-	7,991	-	7,991	7,991
Other Assets	4	-	115	119	119
	46,717	**7,991**	**115**	**54,823**	**54,823**

Table 4: Credit Exposures by Sectorial Analysis or Industrial Distribution

(ii) Credit Exposures by Residual Contractual Maturity Analysis

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

31 December 2024

BANK	Sovereign/ Central Bank	Banks, DFIs and MDBs	Corporates	Other Assets	Commitments and Contingencies	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
≤ 1 year	1,827,445	15,933	657,031	112,293	832,004	3,444,706	3,289,175
> 1 - 5 years	245,842	-	40,000	112	1,100,633	1,386,587	1,133,106
Over 5 years	-	-	187,491	524	238,836	426,851	399,714
No Specific Maturity	11,337	92,073	879,977	25,921	-	1,009,308	1,009,306
	2,084,624	**108,006**	**1,764,499**	**138,850**	**2,171,473**	**6,267,452**	**5,831,301**

31 December 2023

BANK	Sovereign/ Central Bank	Banks, DFIs and MDBs	Corporates	Other Assets	Commitments and Contingencies	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
≤ 1 year	2,077,556	229	313,528	193,439	987,265	3,572,017	3,102,707
> 1 - 5 years	-	-	166,349	290	1,041,746	1,208,385	901,407
Over 5 years	-	-	220,074	400	134,145	354,619	330,365
No Specific Maturity	20,920	81,393	904,345	27,161	-	1,033,819	1,033,818
	2,098,476	**81,622**	**1,604,296**	**221,290**	**2,163,156**	**6,168,840**	**5,368,297**

Table 5 : Credit Exposures by Residual Contractual Maturity Analysis

(iii) Credit Exposures by Residual Contractual Maturity Analysis

The following table depicts the Islamic Banking Window's credit exposures analysed by residual contractual maturity analysis:

31 December 2024

ISLAMIC BANKING WINDOW	Sovereign/ Central Bank	Banks, DFIs and MDBs	Other Assets	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000
≤ 1 year	44,120	-	158	44,278	44,278
No Specific Maturity	677	1,951	-	2,628	2,628
	44,797	**1,951**	**158**	**46,906**	**46,906**

31 December 2023

ISLAMIC BANKING WINDOW	Sovereign/ Central Bank	Banks, DFIs and MDBs	Other Assets	Total On & Off Balance Sheet Gross Exposures	Total On & Off Balance Sheet Net Exposures
	RM'000	RM'000	RM'000	RM'000	RM'000
≤ 1 year	45,949	229	4	46,182	46,182
No Specific Maturity	764	7,762	115	8,641	8,641
	46,713	**7,991**	**119**	**54,823**	**54,823**

Table 5 : Credit Exposures by Residual Contractual Maturity Analysis

5.2. Past Due and Impaired Loans, Advances and Financing

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

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

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

For the loss allowance on financial investments, the Bank applies the MFRS9 Financial Instruments. The methodology is subject to a minimum loss allowance for non-credit impaired exposures and regulatory reserves of 1% of total credit exposures net of loss allowance for credit impaired exposure, in accordance with BNM requirements.

There are no past-due and impaired loans, advances and financing recorded for the Bank and Islamic Banking Window.

5.3. Credit Risk Assessment under Standardised Approach

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

The Bank uses ratings assigned by the following ECAIs:

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

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

The alphanumerical scale of each long term credit rating category by ECAIs and the relevant risk weight are prescribed under BNM RWCAF.

(i) Credit Exposure by Risk Weights

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

31 December 2024

BANK	Sovereign / Central Banks	Banks, DFIs and MDBs	Insurance Cos, Securities & Fund Managers	Corporates	Other Assets	Total On & Off Balance Sheet Net Exposures	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights (%)							
0%	1,195,531	-	-	-	-	1,195,531	-
20%	946,013	480,136	51,616	-	111,037	1,588,802	317,760
50%	-	638,788	6,460	-	-	645,248	322,624
100%	-	-	42,556	2,331,351	27,813	2,401,720	2,401,720
Total	**2,141,544**	**1,118,924**	**100,632**	**2,331,351**	**138,850**	**5,831,301**	**3,042,104**

31 December 2023

BANK	Sovereign / Central Banks	Banks, DFIs and MDBs	Insurance Cos, Securities & Fund Managers	Corporates	Other Assets	Total On & Off Balance Sheet Net Exposures	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights (%)							
0%	1,206,792	-	-	-	-	1,206,792	-
20%	909,244	817,852	29,714	-	185,353	1,942,163	388,433
50%	-	112,008	3,895	-	-	115,903	57,952
100%	-	-	15,314	2,045,538	35,937	2,096,789	2,096,789
150%	-	-	-	6,650	-	6,650	9,975
Total	**2,116,036**	**929,860**	**48,923**	**2,052,188**	**221,290**	**5,368,297**	**2,553,149**

Table 6: Credit Risk Exposure by Risk Weight

(i) Credit Exposure by Risk Weights

The following table depicts the credit risk exposure of the Islamic Banking Window by risk weight:

31 December 2024

ISLAMIC BANKING WINDOW	Sovereign / Central Banks	Banks, DFIs and MDBs	Other Assets	Total On & Off Balance Sheet Net Exposures	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights (%)					
0%	44,797	-	-	44,797	-
20%	-	1,951	-	1,951	390
100%	-	-	158	158	158
Total	**44,797**	**1,951**	**158**	**46,906**	**548**

31 December 2023

ISLAMIC BANKING WINDOW	Sovereign / Central Banks	Banks, DFIs and MDBs	Other Assets	Total On & Off Balance Sheet Net Exposures	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights (%)					
0%	46,713	-	-	46,713	-
20%	-	7,991	-	7,991	1,598
100%	-	-	119	119	119
Total	**46,713**	**7,991**	**119**	**54,823**	**1,717**

Table 6: Credit Risk Exposure by Risk Weight

(ii) Credit Exposure by Ratings from External Credit Assessment Institution ("ECAI")

The following table depicts the credit exposure of the Bank by Ratings from ECAI:

Corporate Exposures	Ratings of Corporate by Approved ECAIs					
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	Total On & Off Balance Sheet Net Exposures
S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RAM	AAA to AA3	A to A3	BBB+ to BB3	B to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK						
31 December 2024						
Insurance Cos, Securities Firms & Fund Managers	51,616	6,460	-	-	42,556	100,632
Corporates	-	-	-	-	2,331,351	2,331,351
Total	**51,616**	**6,460**	**-**	**-**	**2,373,907**	**2,431,983**
31 December 2023						
Insurance Cos, Securities Firms & Fund Managers	29,714	3,895	-	-	15,314	48,923
Corporates	-	-	-	-	2,052,188	2,052,188
Total	**29,714**	**3,895**	**-**	**-**	**2,067,502**	**2,101,111**

Table 7.1: Ratings of Insurance and Corporate Exposures by Approved ECAIs

(ii) Credit Exposure by Ratings from External Credit Assessment Institution ("ECAI")

The following table depicts the credit exposure of the Bank by Ratings from ECAI:

Sovereign/Central Banks Exposures	Government Guaranteed	Ratings of Sovereigns and Central Banks by Approved ECAIs							Total On & Off Balance Sheet Net Exposures
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	
		S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	CCC+ to D	Unrated	
		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	CCC+ to D	Unrated	
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK									
31 December 2024									
Sovereign/Central Banks	2,141,544		-	-	-	-	-	-	2,141,544
31 December 2023									
Sovereign/Central Banks	2,116,036		-	-	-	-	-	-	2,116,036

Table 7.2: Ratings of Sovereigns and Central Banks Exposures by Approved ECAIs

Banks, Development Financial Insitutions & MDBs Exposures	Ratings of Banking Institutions by Approved ECAIs						
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	Total On & Off Balance Sheet Net Exposures
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
RAM	AAA to AA3	A1 to A3	BBB+ to BBB3	BB1 to B3	C1 to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK							
31 December 2024							
Banks, DFIs and MDBs	380,647	499,321	48,608	1	-	190,347	1,118,924
31 December 2023							
Banks, DFIs and MDBs	813,482	36,852	33	-	-	79,493	929,860

Table 7.3: Ratings of Banking Institutions Exposures by Approved ECAIs

(ii) Credit Exposure by Ratings from External Credit Assessment Institution ("ECAI")

The following table depicts the credit exposure of the Islamic Banking Window by Ratings from ECAI:

Sovereign/Central Banks Exposures	Government Guaranteed	Ratings of Sovereigns and Central Banks by Approved ECAIs							Total On & Off Balance Sheet Net Exposures
		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	
		S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	CCC+ to D	Unrated	
		Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	CCC+ to D	Unrated	
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ISLAMIC BANKING WINDOW									
31 December 2024									
Sovereign/Central Banks	44,797		-	-	-	-	-	-	44,797
31 December 2023									
Sovereign/Central Banks	46,713		-	-	-	-	-	-	46,713

Table 7.2: Ratings of Sovereigns and Central Banks Exposures by Approved ECAIs

Banks, Development Financial Insitutions & MDBs Exposures	Ratings of Banking Institutions by Approved ECAIs						Total On & Off Balance Sheet Net Exposures
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	
S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
RAM	AAA to AA3	A1 to A3	BBB+ to BBB3	BB1 to B3	C1 to D	Unrated	
MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ISLAMIC BANKING WINDOW							
31 December 2024							
Banks, DFIs and MDBs	-	1,951	-	-	-	-	1,951
31 December 2023							
Banks, DFIs and MDBs	7,991	-	-	-	-	-	7,991

Table 7.3: Ratings of Banking Institutions Exposures by Approved ECAIs

5.4. Credit Risk Mitigation Techniques under Standardised Approach

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

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

The counterparty credit risk arising from derivative transactions can be mitigated in several ways, including the use of:

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

The following table depicts disclosure of the Bank's credit risk mitigation techniques:

BANK	Gross Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
31 December 2024	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,084,624	-	-	-
Banks, Development Financial Institutions & MDBs	108,006	-	-	-
Corporates	1,764,499	-	-	-
Other Assets	138,850	-	-	-
	4,095,979	**-**	**-**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	1,764,347	-	436,151	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	407,126	-	-	-
	2,171,473	**-**	**436,151**	**-**
Total On and Off-Balance Sheet Exposures	**6,267,452**	**-**	**436,151**	**-**

BANK	Gross Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
31 December 2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,098,476	-	-	-
Banks, Development Financial Institutions & MDBs	81,622	-	-	-
Corporates	1,604,296	-	-	-
Other Assets	221,290	-	-	-
	4,005,684	**-**	**-**	**-**
Off-Balance Sheet Exposures				
OTC Derivatives	1,750,555	-	800,543	-
Off-Balance Sheet Exposures other than OTC Derivatives or Credit Derivatives	405,951	-	-	-
Defaulted Exposures	6,650	-	-	-
	2,163,156	**-**	**800,543**	**-**
Total On and Off-Balance Sheet Exposures	**6,168,840**	**-**	**800,543**	**-**

Table 8: Credit Exposures by Credit Risk Mitigation

The following table depicts disclosure of the Islamic Banking Window's credit risk mitigation techniques:

ISLAMIC BANKING WINDOW	Gross Exposures before CRM	Exposures Covered by Guarantees/ Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
31 December 2024	**RM'000**	**RM'000**	**RM'000**	**RM'000**
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	44,797	-	-	-
Banks, Development Financial Institutions & MDBs	1,951	-	-	-
Other Assets	158	-	-	-
Total On and Off-Balance Sheet Exposures	**46,906**	**-**	**-**	**-**
31 December 2023				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	46,713	-	-	-
Banks, Development Financial Institutions & MDBs	7,991	-	-	-
Other Assets	119	-	-	-
Total On and Off-Balance Sheet Exposures	**54,823**	**-**	**-**	**-**

Table 8: Credit Exposures by Credit Risk Mitigation

5.5. Off-Balance Sheet Exposure and Counterparty Credit Risk

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

BANK	31 December 2024 Principal Amount	31 December 2024 Positive Fair Value of Derivatives Contracts	31 December 2024 Gross Credit Equivalent Amount	31 December 2024 Risk Weigthed Assets	31 December 2023 Principal Amount	31 December 2023 Positive Fair Value of Derivatives Contracts	31 December 2023 Gross Credit Equivalent Amount	31 December 2023 Risk Weigthed Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	215,349	-	215,349	215,349	245,694	-	245,694	245,694
Transaction related contingent items	64,963	-	32,482	20,397	93,908	-	46,954	33,664
Short Term Self Liquidating trade related contingencies	1,442	-	288	288	379	-	76	76
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transaction.)	42,562	-	42,562	19,928	70,777	-	70,777	14,155
Foreign exchange related contracts								
One year or less	61,555,463	538,807	605,303	261,705	64,800,281	590,426	708,755	130,187
Over one year to five years	4,199,783	78,724	187,727	97,600	3,656,876	94,100	179,355	41,041
Over five years	609,453	24,027	56,722	22,283	527,735	26,229	40,523	6,316
Interest/Profit rate related contracts								
One year or less	19,783,793	15,331	23,322	7,138	24,681,158	26,388	32,095	5,470
Over one year to five years	55,533,496	264,572	777,185	234,445	47,006,980	332,364	708,395	139,397
Over five years	1,549,453	16,753	65,669	28,155	1,615,133	24,318	44,521	8,701
Credit Derivative Contracts								
One year or less	72,609	618	858	54	38,675	102	1,833	233
Over one year to five years	1,143,897	28,693	47,561	4,379	790,191	19,280	35,078	3,637
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	232,890	-	116,445	116,445	98,200	-	49,100	49,100
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	2,495,401	-	-	-	2,731,883	-	-	-
	147,500,554	**967,525**	**2,171,473**	**1,028,166**	**146,357,870**	**1,113,207**	**2,163,156**	**677,671**

	31 December 2024 Principal Amount	31 December 2024 Credit Equivalent Amount	31 December 2024 Risk Weigthed Assets	31 December 2023 Principal Amount	31 December 2023 Credit Equivalent Amount	31 December 2023 Risk Weigthed Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Derivatives Contracts in clients' intermediation activities						
Credit default swaps - Protection bought	593,692	36,556	4,433	437,240	29,565	3,870
Credit default swaps - Protection sold	622,814	11,863	-	391,626	7,346	-
	1,216,506	**48,419**	**4,433**	**828,866**	**36,911**	**3,870**

Table 9: Off-Balance Sheet and Counterparty Credit Risk

6. MARKET RISK

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

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

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

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

Hedging and Mitigation

Recognising the exposure to the above, the Bank may make use of derivative financial instruments as part of its overall risk management strategy. The purpose of such hedging activities is to ensure the market making activities remains within the prescribed risk parameters and to further strengthen the overall framework for managing risks associated with market making activities.

Risk Governance

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

Policies and Approaches

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

Risk Measurement

The Bank's primary tool for the systematic measuring and monitoring of market risk is the Value at Risk ("VaR") calculation, which is managed 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 at 99% confidence level. VaR allows for a consistent and uniform measure of market risk across all applicable products and activities. To calculate VaR, the Bank uses Monte-Carlo simulation, which measures risk across instruments and portfolios in a consistent and comparable way. The simulation is based on risk factors' returns time series and correlation matrix calibrated over a 1-year rolling window.

The VaR represents the correlation and consequent diversification effects between risk types and portfolio types across trading businesses. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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).

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.

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

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.

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

For Credit Trading activities, reference entity credit rating below a certain rating will require specific approval from the relevant Transaction or Management Committee.

Risk Reporting and Monitoring

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

The products under ALMT business line are mainly banking book exposures, whereas the products under GM business line contains:

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

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

Regulatory Capital Treatment

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

The following table depicts disclosure of the Bank's market risk capital requirements:

BANK	As at 31 December 2024 Standardised Approach RM'000	As at 31 December 2023 Standardised Approach RM'000
Capital charge requirement for		
Interest Rate Risk	70,161	125,635
Foreign Exchange Risk	3,762	4,783
Options	538	2,297
Total	**74,461**	**132,715**

The following table depicts disclosure of the Islamic Banking Window's market risk capital requirements:

ISLAMIC BANKING WINDOW	As at 31 December 2024 Standardised Approach RM'000	As at 31 December 2023 Standardised Approach RM'000
Capital charge requirement for		
Foreign Exchange Risk	2	179

Market risk related to banking activities

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

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

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

BANK	As at 31 December 2024 Increase / (Decline) 200 basis points (Parallel Shifts)	As at 31 December 2023 Increase / (Decline) 200 basis points (Parallel Shifts)
	RM'000	RM'000
Impact on Earnings		
MYR	16,097	20,553
USD	1,138	5,210
Others	1,083	(17,952)
Total	**18,318**	**7,811**
Impact on Economic Value		
MYR	4,924	12,410
USD	26,160	21,083
Others	1,067	3,319
Total	**32,151**	**36,812**

The following table depicts the sensitivity of the Islamic Banking Window's positions in banking book to profit rate changes:

ISLAMIC BANKING WINDOW	As at 31 December 2024 Increase / (Decline) 200 basis points (Parallel Shifts) RM'000	As at 31 December 2023 Increase / (Decline) 200 basis points (Parallel Shifts) RM'000
Impact on Earnings		
MYR	420	813
USD	27	117
Total	**447**	**930**
Impact on Economic Value		
MYR	(299)	242
USD	39	138
Total	**(260)**	**380**

7. OPERATIONAL RISK

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

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

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

Risk Governance

Risk and Governance has oversight responsibility over all the operational risks management activities of the bank through the coordination with the Regional Operational Risk Management.

Policies and Approaches

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

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

In addition, the Bank has specific policy on cybersecurity and system stability to manage and control cyber and information technology related risks.

Risk Measurement

Controls

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

- Perform bottom-up ''self-assessments'' resulting in a specific operational Risk Appetite for the back office operations, middle office operations and supporting departments highlighting the areas with potential risk.
- Capture operational controls and test steps in the bank's tool i.e. Operations Risk monitoring Unified System ("ORUS") for the monthly control checks.
- Operational incidents are captured in the bank's tool i.e. "360" Incident Reporting System database.
- Assessing and monitoring outsourcing risk and third party service providers.
- Operational incidents are updated at the monthly Executive Risk Committee and quarterly Board Risk Management Committee.
- Audit recommendations action plan are tracked and closed.

Risk Reporting and Monitoring

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

Regulatory Capital Treatment

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