BNP PARIBAS MALAYSIA BERHAD
(Company No. 918091 - T)
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(In Ringgit Malaysia)

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The Directors of **BNP PARIBAS MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 December 2013.

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 activities of the Bank during the financial year.

RESULTS OF OPERATIONS

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

	RM'000
Profit before tax	19,084
Income tax expense	(1,326)
Profit for the year	17,758

DIVIDENDS

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

As approved by the shareholder through a resolution passed pursuant to Section 147(6) of the Companies Act, 1965 dated 2 July 2013, the authorised share capital of the Bank was increased from RM600,000,000 comprising 600,000,000 ordinary shares of RM1.00 each, to RM650,000,000 comprising 650,000,000 ordinary shares of RM1.00 each, by the creation of 50,000,000 new ordinary shares of RM1.00 each.

Also approved by the same resolution, the issued and paid up capital of the Bank was increased from RM441,920,000 comprising 441,920,000 ordinary shares of RM1.00 each to RM601,920,000 comprising 601,920,000 ordinary shares of RM1.00 each by way of issuance of 160,000,000 new ordinary shares of RM1.00 each in the Bank at par through the capitalisation of the subordinated debt capital.

The new ordinary shares issued rank pari passu with then existing ordinary shares of the Bank.

The Bank has not issued any new debentures during the financial year.

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.

DIRECTORS’ INTERESTS

None of the Directors at the end of the financial year 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.

The shareholdings in the ultimate holding company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Bank under Section 134 of the Companies Act, 1965 are as follows:

	No. of ordinary shares of EUR2 each				
	Balance as of 1.1.2013	**Adjustments***	**Bought**	**Sold**	**Balance as of 31.12.2013**
Shares in the ultimate holding company, BNP Paribas S.A.					
Direct interest:					
Dayakrishna Vaidynatha Chetti	2,195	-	-	-	2,195
Jean-Pierre Roger Beno Bernard	20,960	(1,100)	-	(7,664)	12,196
Yves Maurice Guy Marie Drieux	1,996	(59)	185	-	2,122

	No. of employee share options of EUR2 each				
	Balance as of 1.1.2013	**Adjustments***	**Granted**	**Exercised/ Lapsed**	**Balance as of 31.12.2013**
Share options in the ultimate holding company, BNP Paribas S.A.					
Dayakrishna Vaidynatha Chetti	6,605	104	-	(1,035)	5,674
Jean-Pierre Roger Beno Bernard	41,692	(4,060)	-	(18,618)	19,014
Yves Maurice Guy Marie Drieux	9,781	285	2,301	-	12,367

* Adjustments on the number of shares and share options due to capital increase and other amendments.

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emolument received or due and receivable by the Director as disclosed in Note 25 to the financial statements or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party whereby Directors of the Bank might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than the options to purchase shares of the ultimate holding company as disclosed above.

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.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Bank were made out, 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for bad and doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Bank's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank have 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 its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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.

ITEMS OF AN UNUSUAL NATURE

The results of the Bank's operations during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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 Bank's operations for the current financial year in which this report is made.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring the highest standards of corporate governance throughout the organisation with the objectives of safeguarding the interests of all stakeholders, enhancing the shareholder's value and financial performance of the Bank. The Board considers that it has applied the Best Practices as set out in the Guidelines on Corporate Governance for Licensed Institutions throughout the financial year.

The Board of Directors

The direction and control of the Bank rest firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Bank. The Board exercises independent oversight on the management and bears the overall accountability for the performance of the Bank and compliance with the principle of good governance.

There is a clear division of responsibility between the Chairman and the Managing Directors/Chief Executive Officer ("CEO") to ensure that there is a balance of power and authority. The Board is responsible for reviewing and approving the longer-term strategic plans of the Bank as well as the business strategies. It is also responsible for identifying the principal risks and implementation of appropriate systems to manage those risks as well as reviewing the adequacy and integrity of the Bank's internal control systems, management information systems, including systems for compliance with applicable laws, regulations and guidelines.

The Board is responsible for the implementation of the strategies and internal control as well as monitoring performance. The Board is also a forum to deliberate issues pertaining to the Bank's business, strategic initiatives, risk management, manpower development, supporting technology platform and business processes.

The Composition of the Board of Directors

The Board comprises 5 Directors, the majority of whom are Non-Executive Directors. The Directors who served since the date of the last report:

Members	Status of directorship
Dato Abdullah Bin Mat Noh	Independent Non-Executive Director
Dayakrishna Vaidynatha Chetti	Managing Director/Chief Executive Officer
Halim Bin Haji Din	Independent Non-Executive Director
Jean-Pierre Roger Beno Bernard	Non-Independent Non-Executive Director
Yves Maurice Guy Marie Drieux	Non-Independent Non-Executive Director

Roles and Responsibilities of the Board

The Board of Directors is ultimately responsible for the operations, conduct and the financial soundness of the Bank through competent management, reviewing and monitoring the objectives, strategies and business plans of the Bank, ensuring that proper controls are in place and that the business of the Bank is carried out with a high standard of integrity. The Board operates under an approved terms of reference which sets out their roles and responsibilities towards the Bank.

The Board meets at least once every two (2) months. During the financial year ended 31 December 2013, the Board met seventeen (17) times and the attendance at the Board meetings is as follows:-

Dato Abdullah Bin Mat Noh (Chairman)	17/17
Dayakrishna Vaidynatha Chetti	16/17
Halim Bin Haji Din	17/17
Jean-Pierre Roger Beno Bernard	8/17
Yves Maurice Guy Marie Drieux	12/17

Board Committees

Board Risk Committee

The Board Risk Committee is responsible for oversight of the CEO and senior management's responsibility for assessing and managing the Bank's credit risk, market risk, interest rate risk, investment risk, liquidity risk and reputational risk.

The Board Risk Committee meets at least once every quarter. During the financial year ended 31 December 2013, the Board Risk Committee met eight (8) times and the attendance at the Board Risk Committee meetings is as follows:

Dato Abdullah Bin Mat Noh (Chairman)	8/8
Jean-Pierre Roger Beno Bernard	5/8
Yves Maurice Guy Marie Drieux	7/8
Halim Bin Haji Din (appointed on 22 January 2014)	-

Nomination and Remuneration Committee

The Nomination Committee is responsible to provide a formal and transparent procedure for the appointment of Directors and CEO as well as the assessment of effectiveness of individual Directors, board as a whole and performance of the CEO and key senior management officers. The Remuneration Committee reviews and endorses, where appropriate, the remuneration of the CEO and key senior management officers as recommended by the Bank's regional management.

The Nomination and Remuneration Committees meets at least annually. During the financial year ended 31 December 2013, the Nomination Committee met eight (8) times and the attendance at the Nomination Committee meetings is as follows:

Dato Abdullah Bin Mat Noh (Chairman)	8/8
Dayakrishna Vaidynatha Chetti	7/8
Halim Bin Haji Din	8/8
Jean-Pierre Roger Beno Bernard	4/8
Yves Maurice Guy Marie Drieux	7/8

The Remuneration Committee met four (4) times and the attendance at the Remuneration Committee meetings is as follows:

Halim Bin Haji Din (Chairman)	4/4
Jean-Pierre Roger Beno Bernard	2/4
Yves Maurice Guy Marie Drieux	4/4

Audit Committee

The primary function of the Audit Committee is to provide independent oversight of the Bank's financial reporting and internal control system and ensuring checks and balances with the Bank. The Committee also assists the Board of Directors in discharging its statutory duties and responsibilities.

The Audit Committee meets at least once every quarter. During the financial year ended 31 December 2013, the Audit Committee met seven (7) times and the attendance at the Audit Committee meetings is as follows:

Halim Bin Haji Din (Chairman)	7/7
Dato Abdullah Bin Mat Noh	7/7
Jean-Pierre Roger Beno Bernard	4/7
Yves Maurice Guy Marie Drieux	5/7

Shariah Committee

The Shariah Committee is expected to perform an oversight role on Shariah matters related to the Bank's Islamic banking business operations and activities. In discharging its duties, the Shariah Committee is expected to disclose sufficient information in the Bank's annual financial report on the state of compliance of the Bank's Islamic banking business.

During the financial year ended 31 December 2013, the Shariah Committee met eight (8) times and the attendance at the Shariah Committee meetings is as follows:

Prof Dato' Dr Mohd Ali Bin Hj Baharum	7/8
Prof Dato' Dr Abdul Monir Bin Yaacob	7/8
Encik Muhammad Ali Jinnah Bin Ahmad	8/8
Dr Zaharuddin Bin Abdul Rahman (appointed on 12 December 2013)*	1/8
Encik Fazlur Rahman Bin Ebrahim (appointed on 13 December 2013)*	1/8

* There was only one meeting conducted since the appointment to the Shariah committee.

Internal Controls

Mechanisms are in place within the Bank to connect the oversight of the Board and the day to day functioning of the Bank's employees are intended to ensure that the Bank conducts its daily businesses in accordance with the Bank's objectives and policies and in compliance with the laws and regulations that govern the Bank's businesses. The Bank's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks.

Management Reports

The Board received and reviewed regular reports from the management on key operational, finance, legal and compliance matters.

BUSINESS PLAN AND OUTLOOK FOR THE NEXT FINANCIAL YEAR

Business strategy for financial year ended 31 December 2013

BNP Paribas Malaysia Berhad's strategy of accelerating the growth of our client franchise and client assets has been in line with our financial year 2013 business plan. Our business strategy of creating a balanced business mix between capital markets, transactional banking and financing has enabled the Bank to yield positive results as seen in our 2013 performance. The strategy deployed since our start of operations in 2011 is indeed starting to be reflected in the improved diversification of our revenues across a variety of businesses, with a combination of both flow and structured businesses. BNP Paribas Malaysia Berhad will continue to maintain the current earnings momentum and continue in diversifying its balance sheet. At the same time the Bank is ensuring that its infrastructure remains robust to support future business growth and transaction volume as well as ensuring compliance to all regulations.

For the current financial year, the Bank recorded a net profit of RM17.758 million. This was achieved on the back of increase in net interest income of RM31.037 million and non-interest income of RM38.412 million. However, this was slightly offset by an increase in operating expenses RM44.668 million, plus the collective assessment allowances on loans and advances RM5.697 million, resulting in the recording of pre-tax profit of RM19.084 million.

The Bank's balance sheet size as at 31 December 2013 stood at RM2.8 billion, an increase of RM925 million compared to 31 December 2012, with the bulk of the increase in total assets invested in interbank placements, securities and loans and advances. The increase in total balance sheet size was funded by growth in customer deposits and deposits and placements from banks and other financial institutions.

Outlook for 2014

With the Malaysian economy expected to register a gross domestic product (GDP) growth of 4.5 – 5.5 % in 2014, the Bank will remain focused on our commitments to our clients by providing specific solutions through the offering of our products and expertise, combined with superior client service.

The outlook for Malaysia's economy remains positive despite headwinds in the global economy. The Government Economic Transformation Projects, since the rollout in 2010, has resulted in a healthy pipeline of activities and investments for the country.

Creation of new growth corridors, urban development and infrastructure projects has translated into a spur of economic activities, attracting talent and capital inflows.

Several other aspects that complement the positive outlook are seen through changes in the regulatory and legal framework, divestment by government linked companies, introduction of minimum wage and other reforms.

On our business strategy for the coming year, the Bank will target to grow client assets and continue to build and develop the local platform. The bank will also maintain its strong risk and control culture, which are critical to set a strong foundation while embarking on our growth plans. We will grow our client base as well as increasing intensity and deepening client relationships with our existing clients. Apart from advisory, financing and capital market activities, we will continue to focus on growing our market share in the flow business and transactional banking activities.

With the increasing prominence of Islamic finance and Malaysia's position as an international Islamic financial centre, the Group has designated BNP Paribas Malaysia as its Islamic finance hub for the Asia-Pacific region. BNP Paribas Malaysia Berhad's Najmah team will continue its efforts in structuring, originating and marketing Shariah-compliant products to both domestic and regional clients and supporting the Group's Islamic banking activities across the region.

RATINGS BY AN EXTERNAL RATING AGENCY

Details of the Bank's rating are as follows:

Name of rating agency	Date of the rating	Rating received
RAM Rating Services Berhad ("RAM Ratings")	May 2013	Long term - AA2 Short term - P1 Outlook - Stable

Rating classification description

RAM Ratings has assigned respective long- and short-term financial institution ratings of AA2 and P1 to BNP Paribas Malaysia Berhad ("BNP Paribas Malaysia" or "the Bank"); the long-term rating has a stable outlook. The Bank is a wholly-owned subsidiary of BNP Paribas S.A. ("BNP Paribas" or "the Group"); BNP Paribas is the world's second-largest provider of financial services, with an asset base valued at €1.8 trillion as at end-December 2013.

HOLDING COMPANY

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 ultimate holding company of the Bank.

AUDITORS

The auditors, Messrs. Deloitte (formerly known as Deloitte KassimChan), have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

DATO ABDULLAH BIN MAT NOH

DAYAKRISHNA VAIDYNATHA CHETTI

Kuala Lumpur,
11 March 2014

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the products, processes and transactional documents and contracts entered into and/or offered by BNP Paribas Malaysia Berhad ("the Bank") during the year ended 31 December 2013.

Our review of the products, processes and transactional documents include a review and assessment of the product or transaction structure, terms and conditions, process flow and legal documentation related thereto. These reviews and assessments are geared towards forming our opinion on the compliance of the Bank with Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and Securities Commission of Malaysia.

The management of the Bank is responsible for ensuring that the Bank conducts its business in accordance with the Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank.

We have assessed the work carried out by the Shariah audit, which was conducted by way of examining on a test basis, each type of transaction, the relevant documentation and procedure adopted by the Bank. We note that the audit was planned and performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles. The Bank is expected to perform Shariah reviews on a regular basis beginning the next financial year.

We noted that the Shariah audit identified differences in selected transactions in the actual operational process relating to executed Commodity Murabahah deposit transactions (the "Non-Compliant Transactions") against the approved standard operating procedure. The Shariah audit findings were highlighted to the Board and the management. The income arising from the Non-Compliant Transactions were identified and approved to be channelled to charitable causes and ultimately for income purification purposes.

In our opinion, for the year ended 31 December 2013;

1. The products and processes of the Bank that we have reviewed and endorsed during the year ended 31 December 2013 are in compliance with the Shariah principles.

2. The transactions entered into by the Bank, save and except for the identified Non-Compliant Transactions, are in compliance with Shariah principles.

3. The operational procedure of the Bank with regards to the Commodity Murabahah deposit product will need to conform to the approved operating procedure to avoid a repeat of Non-Compliant Transactions.

4. A regular assessment on the Shariah compliance of the activities and operations of the Bank is required.

We, the members of Shariah Committee of the Bank, do hereby confirm that in our opinion, the business and operations of the Bank for the year ended 31 December 2013, to the best of its effort and to the best of our knowledge, have been conducted in conformity with the Shariah principles, save and except for the Non-Compliant Transactions.

PROF DATO' DR MOHD ALI BIN HJ BAHARUM
(Chairman)

PROF DATO' DR ABDUL MONIR BIN YAACOB
(Member)

ENCIK MUHAMMAD ALI JINNAH BIN AHMAD
(Member)

1. The Shariah Committee has agreed that the Shariah Committee Report shall be signed by Prof Dato Dr. Mohd Ali bin Hj Baharum, Prof Dato Dr. Abdul Monir bin Yaacob and En. Muhammad Ali Jinnah bin Ahmad who have been involved in the Shariah Committee for the entire year. Dr. Zaharuddin bin Abdul Rahman and En. Fazlur Rahman bin Ebrahim have agreed to be excluded from signing the Shariah Committee Report considering their appointment to the Shariah Committee was only effective since December 2013.

INDEPENDENT AUDITORS' REPORT TO
THE MEMBER OF BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **BNP PARIBAS MALAYSIA BERHAD**, which comprise the statement of financial position of the Bank as of 31 December 2013 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 18 to 118.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

(Forward)

Other Matter

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE
AF 0080
Chartered Accountants

NG YEE HONG
Partner – 2886/04/15 (J)
Chartered Accountant

11 March 2014

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Cash and short-term funds	5	1,577,236	1,237,032
Deposits and placements with banks and other financial institutions	6	-	105,522
Financial assets held-for-trading	7	59,265	122,599
Financial assets available-for-sale	8	550,765	332,421
Loans and advances	9	392,021	17,870
Derivative financial assets	10	216,735	72,783
Statutory deposits with Bank Negara Malaysia	11	-	5,721
Other assets	12	32,965	7,132
Property, plant and equipment	13	3,987	5,458
Intangible assets	14	2,634	2,716
Deferred tax assets	15	6,464	7,816
TOTAL ASSETS		2,842,072	1,917,070
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	16	1,019,209	1,136,566
Deposits and placements of banks and other financial institutions	17	1,054,385	172,366
Derivative financial liabilities	10	162,410	26,260
Other liabilities	18	20,868	13,277
Subordinated debt capital	19	-	161,238
Total liabilities		2,256,872	1,509,707
Share capital	20	601,920	441,920
Accumulated losses		(16,749)	(34,507)
Reserve	21	29	(50)
Shareholder's equity		585,200	407,363
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,842,072	1,917,070
COMMITMENTS AND CONTINGENCIES	31	19,011,922	7,292,348

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
Operating revenue		97,580	47,736
Interest income	22	59,168	31,690
Interest expenses	23	(28,551)	(24,237)
Net interest income		30,617	7,453
Net income from Islamic banking business	35	420	353
		31,037	7,806
Other operating income	24	38,412	16,046
Operating expenses	25	(44,668)	(41,255)
(Allowance for)/Write back of allowance for impairment on loans, advances and financing	26	(5,697)	102
Profit/(Loss) before tax		19,084	(17,301)
Income tax (expense)/credit	27	(1,326)	3,523
Profit/(Loss) for the year		17,758	(13,778)
Other comprehensive income/net of income tax:			
Items that will not be reclassified subsequent to profit or loss		-	-
Items that may be reclassified subsequent to profit or loss:			
Net fair value gain on available-for-sale financial assets		79	34
Other comprehensive income, net of tax		79	34
Total comprehensive income/(loss) for the year		17,837	(13,744)

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share capital RM'000	Statutory reserve RM'000	Fair value reserve-available -for-sale securities RM'000	Accumulated losses RM'000	Total RM'000
Balance as of 1 January 2012		350,000	-	(84)	(20,729)	329,187
Loss for the year		-	-	-	(13,778)	(13,778)
Other comprehensive loss		-	-	34	-	34
Issuance of shares	20	91,920	-	-	-	91,920
Balance as of 31 December 2012		441,920	-	(50)	(34,507)	407,363
Balance as of 1 January 2013		441,920	-	(50)	(34,507)	407,363
Profit for the year		-	-	-	17,758	17,758
Other comprehensive income		-	-	79	-	79
Issuance of shares	20	160,000	-	-	-	160,000
Balance as of 31 December 2013		601,920	-	29	(16,749)	585,200

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) before tax	19,084	(17,301)
Adjustments for:		
Unrealised loss/(gain) on derivative financial instruments	29,648	(51,015)
Unrealised loss on foreign exchange	9,414	628
Allowance for impairment/(Write back of allowance) on loans and advances	5,697	(102)
Depreciation of property, plant and equipment	1,672	1,611
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	60	(31)
(Gain)/Loss arising from sales of securities:		
Financial assets available-for-sale	356	(148)
Financial assets held-for-trading	(3,532)	1,972
Amortisation of intangible assets	82	82
Operating Profit/(Loss) Before Working Capital Changes	62,481	(64,304)
(Increase)/Decrease in:		
Financial assets held-for-trading	66,806	(124,540)
Financial assets available-for-sale	(218,595)	(242,036)
Loans and advances	(379,848)	6,879
Statutory deposits with Bank Negara Malaysia	5,721	(5,721)
Other assets	(25,833)	(3,537)
Increase/(Decrease) in:		
Deposits from customers	(117,357)	991,386
Deposits and placements of banks and other financial institution	882,019	171,901
Derivative financial assets/liabilities	(46,864)	4,394
Other liabilities	7,591	3,022
Net Cash From Operating Activities	236,121	737,444

(Forward)

	Note	2013 RM'000	2012 RM'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(201)	(782)
Purchase of intangible assets		-	(2,600)
Net Cash Used In Investing Activities		(201)	(3,382)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Payment of accrued interest on subordinated debt capital		(1,238)	-
Proceeds from the issuance of shares		-	91,920
Increase in subordinated debt capital		-	161,238
Net Cash (Used In)/From Financing Activities		(1,238)	253,158
NET INCREASE IN CASH AND CASH EQUIVALENTS		234,682	987,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,342,554	355,334
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,577,236	1,342,554
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short term funds	5	1,577,236	1,237,032
Deposits and placements with banks and other financial institutions	6	-	105,522
		1,577,236	1,342,554

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

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

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

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

The registered office is located at Lot 6.05, Level 6 KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Malaysia.

The principal place of business of the Bank is located at Vista Tower, Level 48A, 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 11 March 2014.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements also incorporate all activities relating to the Islamic banking business. Islamic banking business refer generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The financial statements are presented in Ringgit Malaysia (RM) and rounded to the nearest thousand ("000"), unless otherwise stated.

New and revised MFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Bank has applied a number of new and revised MFRSs issued by the Malaysian Accounting Standards Board (MASB) that are relevant to its operations and effective for accounting period that begins on or after 1 January 2013 as listed below:

MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 cycle

The adoption of the new and revised MFRSs during the financial year has no material impact on the amounts reported in the financial statements of the Bank except as follows:

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The Bank has applied the amendments to MFRS 101 for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the “statement of comprehensive income” is renamed “statement of profit or loss and other comprehensive income” and the “income statement” is renamed the “statement of profit or loss”. The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require items of the other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence, the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 have not resulted in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 13: Fair Value Measurements

The Bank has applied MFRS 13 for the first time in the current year. MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of MFRS 13 is broad; the fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transactions that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Bank Negara Malaysia ("BNM") Policy Documents

On 28 June 2013, BNM issued policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions ("Policy Documents") to replace the Guidelines on Financial Reporting for Banking Institutions and Guidelines on Financial Reporting for Islamic Banking Institution (BNM, GP8-i) respectively. These Policy Documents set minimum expectation for the applications of MFRS and aim to ensure adequate disclosure in the financial statements of banking institution. The Bank have adopted the Policy Documents with effect from 30 June 2013.

New and Revised Standards and Amendments In Issue But Not Effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments relevant to the Bank which were in issue but not yet effective and not early adopted by the Bank are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[1]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[1]
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)[1]
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS issued by IASB in November 2009 and October 2010 respectively)] and Transition Disclosures[1]
Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)[3]
Amendments to MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[2]
Amendments to MFRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)[2]
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting) [2]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2010-2012 Cycle[3]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012-2013 Cycle[3]

1 The mandatory effective date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) which was for annual periods beginning on or after 1 January 2015 has been removed with the issuance of MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139. The effective date of MFRS 9 will be decided when IASB’s IFRS 9 project is closer to completion. However, each version of the MFRS 9 is available for early adoption.

2 Effective for annual periods beginning on or after 1 January 2014

3 Effective for annual periods beginning on or after 1 July 2014

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Bank when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Bank in the period of initial application, except as disclosed below:

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after January 1, 2013, with earlier application still permitted as well as modified the relief from restating prior periods. However, this mandatory effective date has been removed with the issuance of MFRS 9 *Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139* (see below). MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

Key requirements of MFRS 9:

- All recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that 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 presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the application of MFRS 9 in the future may have significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loans and receivables

Loans and receivables include credit provided by the Bank and the Bank's share in syndicated loans, unless they are held for trading purposes.

Loans and receivables are initially measured at fair value or equivalent, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments when the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

Securities

Categories of securities

Securities held by the Bank are classified into one of four categories.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise of:

- financial assets held for trading purposes;
- financial assets that the Bank has designated, on initial recognition, at fair value through profit or loss using the fair value option available under MFRS139.

Securities in this category are measured at fair value at the reporting date. Transaction costs are directly posted in the profit and loss. Changes in fair value (excluding accrued interest on fixed-income securities) are included in other operating income under “Net gain/loss on financial instruments at fair value through profit or loss”, along with dividends from variable-income securities and realised gains and losses on disposal.

Income earned on fixed-income securities classified into this category is shown under “Interest income” in statement of profit or loss and other comprehensive income. Fair value incorporates an assessment of the counterparty risk on these securities.

(ii) Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as “Loans and receivables” if they do not meet the criteria to be classified as “Financial assets at fair value through profit or loss.”

These securities are measured and recognised as described in the accounting policy for loan and receivable’s above.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Bank has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in MFRS139.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and acquisition costs (where material). Income earned from this category of assets is included in “Interest income” in the statement of profit or loss and comprehensive income.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as “fair value through profit or loss” or “held-to-maturity” or “loans and receivables”.

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the reporting date, they are remeasured at fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders’ equity, fair value reserve – available for sale securities. Upon disposal, these unrealised gains and losses are transferred from shareholders’ equity to the statement of profit or loss and other comprehensive income, where they are included in other operating income under “Net gain/loss on available-for-sale financial assets”.

Income recognised using the effective interest method for fixed-income available-for-sale securities is recorded under “Interest income” in the statement of profit or loss and other comprehensive income. Dividend income from variable-income securities is recognised under “Net gain/loss on available-for-sale financial assets” when the Bank’s right to receive payment is established.

Date of recognition for securities transactions

Securities classified as at fair value through profit or loss, held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Securities transactions are carried on the statement of financial position until the Bank’s rights to receive the related cash flows expire, or until the Bank has substantially transferred all the risks and rewards related to ownership of the securities.

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 foreign investment hedge, which are recognised in shareholder's equity.

Non-monetary assets and liabilities expressed in foreign currencies

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

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

Impairment of financial assets

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by the Bank, with the probability of drawdown taken into account in any assessment of financing commitments.

At an individual level, objective evidence that a financial asset is impaired includes observable data regarding the following events:

- the existence of accounts that are more than three months past due;
- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in profit or loss under "Allowance for impairment on loans, advances and financing". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit or loss, also under "Allowance for impairment on loans, advances and financing". Once an asset has been impaired, income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in profit or loss.

Impairment losses on loans and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised in liabilities. Impaired receivables are written off in whole or in part and the corresponding provision is reversed for the amount of the loss when all other means available to the Bank for recovering the receivables or or guarantees have failed, or when all or part of the receivables have been waived.

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the reporting date. It enables the Bank to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are recognised in profit or loss.

Based on the experienced judgement of the Bank's divisions or Risk Management, the Bank may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

<u>Impairment of available-for-sale financial assets</u>

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts the Bank to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

In the case of fixed-income securities, impairment is assessed based on the same criteria applied to individually impaired loans and receivables.

Impairment losses taken against variable-income securities are recognised on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the profit or loss until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in profit or loss.

Impairment losses taken against fixed-income securities are recognised under "Allowances for impairment on loans, advances and financing", and may be reversed through the profit or loss in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

Derivative instruments and hedge accounting

All derivative instruments are recognised in the statement of financial position on the trade date at the transaction price, and are remeasured to fair value on the reporting date.

<u>Derivatives held for trading purposes</u>

Derivatives held for trading purposes are recognised in the statement of financial position in "Derivative financial asset" when their fair value is positive, and in "Derivative financial liability" when their fair value is negative. Realised and unrealised gains and losses are recognised in profit or loss.

<u>Derivatives and hedge accounting</u>

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed rate loans).

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

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. On inception and at least quarterly, the Bank assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether actual changes in the fair value or cash flows of the hedging instrument and the hedged item are within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

The accounting treatment of derivative and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative is remeasured at fair value in the statement of financial position, with changes in fair value recognised in profit or loss, symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the statement of financial position, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the statement of financial position is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the statement of financial position, in particular due to prepayments, the adjustment is taken to profit or loss immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the statement of financial position, with changes in fair value taken to shareholders' equity on a separate line, "Cash flow hedge reserve". The amounts taken to shareholders' equity over the life of the hedge are transferred to profit or loss as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to profit or loss. If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to profit or loss.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in profit or loss under "Other operating income".

Hedges of net foreign currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. Hedging instruments may be currency derivatives or any other non-derivative financial instrument.

Embedded derivatives

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss, and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

Determination of fair value

Financial assets and liabilities classified as fair value through profit or loss, and financial assets classified as available-for-sale, are measured and accounted for at fair value upon initial recognition and at subsequent dates. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. On initial recognition, the value of a financial instrument is generally the transaction price (i.e. the value of the consideration paid or received).

Fair value is determined:

- based on quoted prices in an active market; or
- using valuation techniques involving:
    - mathematical calculation methods based on accepted financial theories; and
    - parameters derived in some cases from the prices of instruments traded in active markets, and in others from statistical estimates or other quantitative methods resulting from the absence of an active market.

Whether or not a market is active is determined on the basis of a variety of factors. Characteristics of an inactive market include a significant decline in the volume and level of trading activity in identical or similar instruments, the available prices vary significantly over time or among market participants or observed transaction prices are not current.

- Use of quoted prices in an active market

If quoted prices in an active market are available, they are used to determine fair value. These represent directly quoted prices for identical instruments.

- Use of models to value unquoted financial instruments

The majority of over-the-counter derivatives are traded in active markets. Valuations are determined using generally accepted models (discounted cash flows, Black & Scholes model, interpolation techniques) based on quoted market prices for similar instruments or underlyings.

Some financial instruments, although not traded in an active market, are valued using methods based on observable market data.

These models use market parameters calibrated on the basis of observable data such as yield curves, implicit volatility layers of options, default rates, and loss assumptions.

The valuation derived from models is adjusted for liquidity and credit risk. Starting from valuations derived from median market prices, price adjustments are used to value the net position in each financial instrument at bid price in the case of short positions, or at asking price in the case of long positions. Bid price is the price at which a counterparty would buy the instrument, and asking price is the price at which a seller would sell the same instrument.

Similarly, a counterparty risk adjustment is included in the valuation derived from the model in order to reflect the credit quality of the derivative instrument.

The margin generated when these financial instruments are traded is taken to profit or loss immediately.

Other illiquid complex financial instruments are valued using internally-developed techniques that are entirely based on data or on partially non observable active markets.

In the absence of observable inputs, these instruments are measured on initial recognition in a way that reflects the transaction price, regarded as the best indication of fair value. Valuations derived from these models are adjusted for liquidity risk and credit risk.

The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to profit or loss 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.

Lastly, the fair value of unlisted equity securities is measured in comparison with recent transactions in the equity of the company in question carried out with an independent third party on an arm's length basis. If no such points of reference are available, the valuation is determined either on the basis of generally accepted practices (EBIT or EBITDA multiples) or of the Bank's share of net assets calculated using the most recent information available.

Reclassification of financial assets

The Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold the financial asset for the foreseeable further or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the statement of profit or loss and other comprehensive income is not reversed.

During the financial year, the Bank has not made any such reclassification of financial assets.

Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed income securities classified in "Available-for-sale financial assets" and "Held-for-trading financial assets" are recognised in profit or loss using the effective interest method.

Net income from Islamic banking business are recognised using effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the statement of financial position. The effective interest rate calculation takes account of all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

The method used by the Bank to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit or loss in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in profit or loss in full on execution of the transaction. Commission payable or receivable for recurring services is recognised over the term of the service.

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in “Other operating income”.

External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

Allowance for losses on loans and advances

Allowance for losses on loans and advances includes movements in provisions for impairment of fixed-income securities and loans and receivables due from customers and credit institutions, movements in financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off. This caption also includes impairment losses recorded with respect to default risk incurred on counterparties for over-the-counter financial instruments, as well as expenses relating to fraud and to disputes inherent to the financing business.

Derecognition of financial assets and financial liabilities

The Bank derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when the Bank transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Bank retains the asset in its statement of financial position and recognises a liability for the obligation created as a result of the transfer of the asset.

The Bank derecognises all or part of a financial liability when the liability is extinguished in full or in part.

Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position if, and only if, the Bank has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the statement of financial position.

Property, plant 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.

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.

The depreciation is made at the following rates:

Office equipment	20%
Renovation and installation	6 years
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 reporting date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

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

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

Lessee accounting

Leases contracted by the Bank as lessee are categorised as either finance leases or operating leases.

- Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the statement of financial position of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the statement of financial position of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. The lease obligation is accounted for at amortised cost.

- Operating leases

The asset is not recognised in the statement of financial position of the lessee. Lease payments made under operating leases are taken to profit or loss of the lessee on a straight-line basis over the lease term.

Employee benefits

- 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.

- Defined contribution plans

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

- 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 reporting date.

Provisions recorded under liabilities

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

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

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Statement of cash flows

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Bank's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements involves making judgments, estimates and assumptions 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.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following:

(i) Fair value of financial instruments

The fair values of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(ii) Allowance for impairment on loans, advances and financing

The Bank makes allowance for impairment on loans, advances and financing based on assessment of recoverability. Management makes judgement on the future and other key factors in respect of the recovery of loans and advances. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other payable claims.

5. CASH AND SHORT-TERM FUNDS

	2013 RM'000	2012 RM'000
At Amortised Cost:		
Cash and balances with banks and other financial institutions	31,222	192,155
Money at call and deposit placements maturing within one month	1,546,014	1,044,877
	1,577,236	1,237,032

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 RM'000	2012 RM'000
At Amortised Cost:		
Licensed banks	-	90,206
Other financial institutions	-	15,316
	-	105,522

7. FINANCIAL ASSETS HELD-FOR-TRADING

	2013 RM'000	2012 RM'000
At Fair Value:		
Government securities:		
Bank Negara Malaysia Debt Securities	49,661	99,248
Malaysian Government Securities	9,604	20,008
Government Investment Issues	-	3,343
	59,265	122,599

8. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2013 RM'000	2012 RM'000
At Fair Value:		
Government securities:		
Malaysian Government Investment Issues	202,364	-
Malaysian Government Securities	122,837	31,593
Bank Negara Malaysia Debt Securities	-	107,372
Money market instrument:		
Negotiable Instruments of Deposit	225,564	193,456
	550,765	332,421

9. LOANS AND ADVANCES

	2013 RM'000	2012 RM'000
At Amortised Cost:		
(i) By type		
Revolving credits	68,959	18,143
Syndicated term loan	93,342	-
Term loan	29,735	-
Bridging loan	123,210	-
Trust receipts	4,679	-
Bills discounting	78,066	-
Gross loans and advances	397,991	18,143
Less: Allowance for impaired loans and financing:		
Collective assessment allowance	(5,970)	(273)
Net loans and advances	392,021	17,870
(ii) By type of customer		
Domestic business enterprise	319,925	18,143
Bank institutions	78,066	-
	397,991	18,143
(iii) By interest rate sensitivity		
Variable rate:		
Cost plus	397,991	18,143
(iv) By residual contractual maturity		
Maturity within one year	274,914	18,143
More than one year to five years	29,735	-
More than five years	93,342	-
	397,991	18,143

		2013 RM'000	2012 RM'000
(v)	**By geographical distribution**		
	In Malaysia	319,925	18,143
	In China	78,066	-
		397,991	18,143
(vi)	**By Sector**		
	Manufacturing	66,462	14,813
	Wholesale and retail	3,204	3,330
	Construction	31,736	-
	Financial services	78,066	-
	Transport, storage and communication	95,313	-
	Other service activities	123,210	-
		397,991	18,143

(vii) Movement of impaired loan/movement of allowance of impaired loans

The Bank has not identified any impaired loans for the current financial year.

(viii) Movements in allowance for impaired loans and advances are as follows:

	2013 RM'000	2012 RM'000
Collective Assessment Allowance		
Balance as at 1 January	273	375
Add: Allowance made during the financial year	5,870	1,076
Less: Write back made during the financial year	(173)	(1,178)
Balance as at 31 December	5,970	273
As % of gross loans, advances and financing less individual assessment allowance	1.50%	1.50%

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

As of reporting date, the Bank has positions in the following types of derivatives:

		2013	
	Notional RM'000	**Assets RM'000**	**Liabilities RM'000**
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Currency forwards	1,211,427	18,247	(7,115)
Currency swaps	6,988,485	93,962	(103,516)
Currency options	991,019	11,365	(2,113)
Interest rate contracts:			
Interest rate swaps	7,345,176	52,062	(38,553)
Credit derivatives:			
Credit default swaps	2,334,208	41,099	(11,113)
Total derivative assets/(liabilities)	18,870,315	216,735	(162,410)

	Notional RM'000	2012 Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Currency forwards	227,805	636	(837)
Currency swaps	1,612,774	1,880	(2,187)
Currency options	479,988	1,330	(1,899)
Interest rate contracts:			
Interest rate swaps	2,678,491	12,385	(10,865)
Credit derivatives:			
Credit default swaps	2,159,213	56,552	(10,472)
Total derivative assets/(liabilities)	7,158,271	72,783	(26,260)

The table above 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 amount of a derivative's underlying variable or reference rate and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are indicative of neither the market risk nor the credit risk.

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

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 37(1)(C) of the Central Bank of Malaysia Act, 1958 (revised 1994) to satisfy the Statutory Reserve Requirement ("SRR"), the amounts of which are determined at set percentages of total eligible liabilities.

As of 31 December 2013, the Bank has RMNil (2012: RM5,721,000) statutory deposit with BNM.

12. OTHER ASSETS

	2013 RM'000	2012 RM'000
Collateral assets	16,740	4,565
Other receivables, deposits and prepayments	16,225	2,567
	32,965	7,132

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

Included in other receivables, deposits and prepayments an amount of RM7,015,000 (RM726,645 in 2012) represents fees receivable from related companies.

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment and machinery RM'000	Renovation and installation RM'000	Furniture, fixtures and fittings RM'000	Computer equipment and hardware RM'000	Total RM'000
2012					
Cost					
At beginning of year	2,042	3,213	1,293	889	7,437
Additions	8	266	77	431	782
Reclassification	(1,950)	-	-	1,950	-
At end of year	100	3,479	1,370	3,270	8,219
2013					
Cost					
At beginning of year	100	3,479	1,370	3,270	8,219
Additions	2	52	2	145	201
At end of year	102	3,531	1,372	3,415	8,420

(Forward)

	Office equipment RM'000	Renovation and installation RM'000	Furniture, fixtures and fittings RM'000	Computer equipment and hardware RM'000	Total RM'000
2012					
Accumulated Depreciation					
At beginning of year	323	449	200	178	1,150
Charge for the year	19	567	270	755	1,611
Reclassification	(311)	-	-	311	-
At end of year	31	1,016	470	1,244	2,761
2013					
Accumulated Depreciation					
At beginning of year	31	1,016	470	1,244	2,761
Charge for the year	20	585	274	793	1,672
At end of year	51	1,601	744	2,037	4,433
Net Book Value					
As of 31 December 2013	51	1,930	628	1,378	3,987
As of 31 December 2012	69	2,463	900	2,026	5,458

14. INTANGIBLE ASSETS

	2013 RM'000	2012 RM'000
Computer Software:		
Cost		
At 1 January/At 31 December	247	247
Accumulated Depreciation		
At 1 January	131	49
Amortisation for the year	82	82
At 31 December	213	131
Net Book Value	34	116
Interbank Giro License Fees		
Cost		
At 1 January	2,600	-
Additions	-	2,600
At 31 December	2,600	2,600
Accumulated Depreciation		
At 1 January	-	-
Amortisation for the year	-	-
At 31 December	-	-
Net Book Value	2,600	2,600
Total Net Book Value	2,634	2,716

15. DEFERRED TAX ASSETS

	2013 RM'000	2012 RM'000
At 1 January	7,816	4,304
Recognised in profit or loss (Note 27)	(1,326)	3,523
Recognised in other comprehensive income	(26)	(11)
At 31 December	6,464	7,816

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 fiscal authority.

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

Deferred tax assets of the Bank:

2012	Loans and advances RM'000	Property, plant and equipment RM'000	Financial assets available-for-sale RM'000	Provisions RM'000	Unused tax losses* RM'000	Unrealised gain RM'000	Total RM'000
At 1 January	94	(414)	28	594	4,002	-	4,304
Recognised in profit or loss	(26)	(518)	-	(11)	16,675	(12,597)	3,523
Recognised in equity	-	-	(11)	-	-	-	(11)
At 31 December	68	(932)	17	583	20,677	(12,597)	7,816
2013							
At 1 January	68	(932)	17	583	20,677	(12,597)	7,816
Recognised in profit or loss	1,424	497	-	27	(15,871)	12,597	(1,326)
Recognised in equity	-	-	(26)	-	-	-	(26)
At 31 December	1,492	(435)	(9)	610	4,806	-	6,464

* The unused tax losses is subjected to the approval by the tax authorities.

16. DEPOSITS FROM CUSTOMERS

	2013 RM'000	2012 RM'000
Type		
At Amortised Cost:		
Demand deposits	88,742	33,660
Fixed deposits	460,881	807,637
Collateral deposits	124,308	4,650
Structured deposits	269,417	286,619
Commodity Murabahah	75,861	4,000
	1,019,209	1,136,566

(i) Maturity structure of fixed deposits from customers and other long term deposits are as follows:

	2013 RM'000	2012 RM'000
Due within six months	661,050	816,287
Six months to one year	-	15,015
More than one year	269,417	271,604
	930,467	1,102,906

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

	2013 RM'000	2012 RM'000
Business enterprises	456,408	766,205
Domestic non-bank financial institutions	372,843	365,711
Licensed banks	79,885	4,650
Other financial institutions	110,073	-
	1,019,209	1,136,566

17. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 RM'000	2012 RM'000
At Amortised Cost:		
Other financial institutions	1,054,385	172,366

18. OTHER LIABILITIES

	2013 RM'000	2012 RM'000
Other payables	10,786	323
Accruals and charges	10,082	12,954
	20,868	13,277

Included in other payables is as amount of RM4,101,000 (RMNil in 2012) represents fees payable to a related company.

19. SUBORDINATED DEBT CAPITAL

	2013 RM'000	2012 RM'000
At 1 January	161,238	-
Addition during the year	-	159,094
Conversion to share capital (Note 20)	(160,000)	
Accrued interest	-	2,144
Interest paid	(1,238)	
Subordinated debt during the year	-	161,238
Subordinated debt capital	-	161,238

In the previous financial year, the Bank had issued the following:

i) USD26 million Lower Tier 2 (approximately RM79,547,000) in aggregate principal amount of redeemable Subordinated NIDs maturing on 2 April 2022 at three months LIBOR plus 4.31% per annum. The Subordinated NIDs was callable at the end of the fifth year; and

ii) USD26 million Upper Tier 2 (approximately RM79,547,000) in aggregate principal amount of redeemable Subordinated NIDs perpetual at three months LIBOR plus 5.76% per annum. The Subordinated NIDs was callable at the end of the fifth year.

During the current financial year, the holder of the subordinated debt capital ("Debt") had sold the Debt to BNP Paribas S.A., the ultimate holding company of the Bank ("BNP Paribas"). BNP Paribas had requested the approval from Bank Negara Malaysia to convert the Debt to share capital. The approval for the conversion was obtained on 23 June 2013.

20. SHARE CAPITAL

	2013 RM'000	2012 RM'000
Authorised:		
Ordinary shares of RM1 each		
At beginning of year	600,000	600,000
Created during the year	50,000	-
At end of year	650,000	600,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year	441,920	350,000
Issued during the year	160,000	91,920
At end of year	601,920	441,920

As approved by the shareholder through a resolution passed pursuant to Section 147(6) of the Companies Act, 1965 dated 2 July 2013, the authorised share capital of the Bank was increased from RM600,000,000 comprising 600,000,000 ordinary shares of RM1.00 each, to RM650,000,000 comprising 650,000,000 ordinary shares of RM1.00 each, by the creation of 50,000,000 new ordinary shares of RM1.00 each.

Also approved by the same resolution, the issued and paid up capital of the Bank was increased from RM441,920,000 comprising 441,920,000 ordinary shares of RM1.00 each to RM601,920,000 comprising 601,920,000 ordinary shares of RM1.00 each by way of issuance of 160,000,000 new ordinary shares of RM1.00 each in the Bank at par through the capitalisation of the subordinated debt capital.

The new ordinary shares issued rank pari-passu with then existing ordinary shares of the Bank.

21. RESERVE

	2013 RM	2012 RM
Non-distributable:		
Unrealised reserve (Note a)	29	(50)

(a) **Unrealised reserve**

The unrealised reserve represents cumulative fair value changes on securities available-for-sale.

22. INTEREST INCOME

	2013 RM'000	2012 RM'000
Loans and advances	5,080	1,569
Money at call and deposit placements with financial institutions	37,106	18,430
Financial assets - Available-for-sale	17,066	6,603
Financial assets - Held-for-trading	822	5,367
Other interest income	176	-
	60,250	31,969
Amortisation of premium less accretion of discount	(1,082)	(279)
	59,168	31,690

23. INTEREST EXPENSE

	2013 RM'000	2012 RM'000
Deposits and placements from banks and other financial institutions	2,146	1,503
Deposits from customers	22,026	16,064
Subordinated debt capital	4,365	6,670
Other interest expense	14	-
	28,551	24,237

24. OTHER OPERATING INCOME

	2013 RM'000	2012 RM'000
Fee income:		
Commissions	297	526
Guarantee fees	380	192
Other fee income:		
Unwinding fees	19,859	-
Advisory fees	3,453	-
Arrangement fees	4,831	-
Extension fees	1,259	-
Other fees	1,682	-
	31,761	718
Gain/(Loss) arising from sale of securities:		
Financial assets held-for-trading	3,532	(1,972)
Financial assets available-for-sale	(356)	148
Gain/(Loss) on derivatives trading:		
Realised	(20,929)	(28,527)
Unrealised	(29,648)	51,015
Unrealised (loss)/gain on revaluation of financial assets held-for-trading	(60)	31
Other income:		
Foreign exchange:		
Realised gain	43,905	4,497
Unrealised loss	(9,414)	(628)
Recharges received from related companies	17,135	-
Others	2,486	70
Other fees expenses	-	(9,306)
	38,412	16,046

25. OTHER OPERATING EXPENSES

	2013 RM'000	2012 RM'000
Personnel costs (Note a)	23,280	24,378
Establishment costs (Note b)	9,370	6,950
Marketing expenses (Note c)	739	801
Administration and general expenses (Note d)	11,279	9,126
	44,668	41,255

(a) Personnel costs

Wages, salaries and bonuses	16,286	18,248
Defined contribution retirement plan	2,217	3,086
Social security cost	305	81
Recruitment fees	(105)	1,636
Other staff related expenses	4,577	1,327
	23,280	24,378

(b) Establishment costs

Share of information technology costs	2,774	1,348
Depreciation of property, plant and equipment (Note 13)	1,672	1,611
Amortisation of intangible assets (Note 14)	82	82
Rental of premises	1,853	1,594
Others	2,989	2,315
	9,370	6,950

(c) Marketing expenses

Advertising	94	177
Others	645	624
	739	801

(d) Administration and general expenses

Legal and professional fees	461	2,618
Communication and transportation	990	747
Others general expenses	9,828	5,761
	11,279	9,126

Included in the above expenditure are the following statutory disclosures:

	2013 RM'000	2012 RM'000
Directors' remuneration	2,723	2,576
Auditors' remuneration:		
Statutory audit	210	210
Others	30	30

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM1,922,500 (RM1,613,000 in 2012).

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

	Salary and other remuneration RM'000	Fees RM'000	Bonuses RM'000	Benefits -in-kind RM'000	Total RM'000
2013					
Managing Director/ Executive Director	950	-	597	376	1,923
Non-executive Directors	-	800	-	-	800
	950	800	597	376	2,723
2012					
Managing Director/ Executive Director	900	-	500	376	1,776
Non-executive Directors	-	800	-	-	800
	900	800	500	376	2,576

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.

The number of Directors of the Bank whose total remuneration during the financial period fell within the following bands is analysed below:

	2013 RM'000	**2012 RM'000**
<u>Executive Directors</u>		
Above RM500,000	1	1
RM300,000 – RM500,000	-	-
RM100,000 – RM299,000	-	-
	1	1
<u>Non – Executive Directors</u>		
Above RM100,000	2	2
RM50,000 – RM100,000	-	-
RM1 – RM49,999	-	-
	2	2

26. ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES

	2013 RM'000	**2012 RM'000**
Allowance for impairment on loans and advances:		
Collective assessment allowance:		
Made in the financial year	5,870	1,076
Written back in the financial year	(173)	(1,178)
	5,697	(102)

27. INCOME TAX EXPENSE/(CREDIT)

	2013 RM'000	2012 RM'000
Deferred tax expense/(credit) (Note 15):		
Relating to origination and reversal of temporary differences	1,326	(3,523)

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

	2013 RM'000	2012 RM'000
Profit/(Loss) before tax	19,084	(17,301)
Taxation at Malaysian statutory tax rate of 25%	4,771	(4,325)
Tax effect of:		
Income not taxable for tax purposes	(3,445)	-
Expenses not deductible for tax purposes	-	802
Income tax expense/(credit) for the year	1,326	(3,523)

28. 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 ultimate holding company of the Bank.

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

Name of related parties	Relationship
BNP Paribas S.A., Paris	Ultimate holding company
BNP Paribas, Doha	Fellow subsidiary
BNP Paribas, Tokyo	Fellow subsidiary
BNP Paribas, Canada	Fellow subsidiary
BNP Paribas, New York	Fellow subsidiary
BNP Paribas, Hong Kong	Fellow subsidiary
BNP Paribas, London	Fellow subsidiary
BNP Paribas, Abu Dhabi	Fellow subsidiary
BNP Paribas, Singapore	Fellow subsidiary
BNP Paribas, Geneva	Fellow subsidiary
BNP Paribas, Mumbai	Fellow subsidiary
BNP Paribas, Labuan	Fellow subsidiary
BNP Paribas Investment Partners, Malaysia	Fellow subsidiary
BNP Paribas Investment Partners Najmah, Malaysia	Fellow subsidiary
BNP Paribas Capital, Malaysia	Fellow subsidiary

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

	2013 RM'000	2012 RM'000
Income:		
Recharges from intercompany	17,135	-
Other intercompany fees	6,722	-
Interest on cash and short term funds	322	1,862
Other interest	176	-
Interest on current deposit	1	19
Interest from deposits and placements with banks and other financial institutions	-	73
Expense:		
Interest on deposits and placements of banks and other financial institutions	1,737	885
Other intercompany charges	4,101	-
Share of group and information technology costs	2,774	1,348
Interest on Murabahah deposit	124	22
Interest on current deposit	82	70
Interest on fixed deposit	34	57
Interest on collateral deposits	31	-
Other interest	14	-

2013	Ultimate holding company RM'000	Related parties RM'000
Assets		
Cash and short-term funds	252	12,743
Derivative financial assets	32,513	26,424
Other assets	-	7,015
	32,765	46,182
Liabilities		
Demand deposits	-	4,307
Fixed deposits	-	1,000
Deposits and placements of banks and other financial institutions	-	1,054,385
Commodity Murabahah	-	4,408
Collateral deposits	44,422	-
Derivative financial liabilities	8,513	6,265
Other liabilities	-	4,101
	52,935	1,074,466

2012	**Ultimate holding company RM'000**	**Related parties RM'000**
Assets		
Cash and short-term funds	15,660	678,709
Deposits and placements with banks and other financial institutions	-	15,315
Other assets	-	733
Derivative financial assets	6,788	39,705
	22,448	734,462
Liabilities		
Demand deposits	-	3,124
Fixed deposits	-	1,600
Deposits and placements of banks and other financial institutions	-	172,366
Commodity Murabahah	-	4,000
Derivative financial liabilities	2,089	2,362
	2,089	183,452

Compensation of key management personnel:

The remuneration of Directors and other members of key management during the year are as follows:

	2013 RM'000	**2012 RM'000**
Salaries and other short-term employee benefits	2,892	2,804
Post-employment benefits:		
Defined contribution plan	110	57
	3,002	2,861

Included in the above are Directors' remuneration as disclosed in Note 25.

29. OPERATING LEASE ARRANGEMENTS

The Bank has entered into non-cancellable operating lease agreements for the use of buildings. These leases have an average life of 6 years with an option for cancellation every 3 years. There are no restrictions placed upon the Bank by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as of the reporting date but not recognised as liabilities are as follows:

	2013 RM'000	2012 RM'000
Future minimum rental payments:		
Not later than 1 year	1,539	1,539
Later than 1 year and not later than 5 years	3,335	4,874
	4,874	6,413

30. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2013 RM'000	2012 RM'000
Outstanding credit exposures with connected parties	236,838	161,376
Total credit exposures	1,578,424	1,190,381
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	15.00%	13.56%
as a proportion of capital base	40.51%	28.87%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;
(ii) Controlling shareholder and their close relatives;
(iii) Executive officer, being a member of management having authority and responsibility for planning and directing and/or controlling the activities of the Bank, and their close relatives;
(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a Director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

Credit transactions and exposure to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments. It also includes holding of equities and private debt securities issued by the connected parties.

31. COMMITMENTS AND CONTINGENCIES

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

Risk Weighted Exposures of the Bank as of 31 December are as follows:

	2013			2012		
	Principal amount RM'000	**Credit equivalent amount * RM'000**	**Risk-weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount * RM'000**	**Risk-weighted amount RM'000**
Direct credit substitutes	133,080	133,080	89,676	129,173	129,173	84,018
Transaction-related contingent items	-	-	-	4,500	2,250	1,125
Short-term self-liquidating trade-related contingencies	429	86	86	404	81	81
Irrevocable commitments to extend credit:						
Maturity up to one year	8,098	1,620	1,620	-	-	-
Foreign exchange related contracts:						
One year or less	7,885,343	187,218	66,772	2,044,660	36,568	15,102
Over one year to five years	1,305,588	173,862	104,470	275,907	20,556	13,443

(Forward)

	2013 Principal amount RM'000	2013 Credit equivalent amount * RM'000	2013 Risk-Weighted Amount RM'000	2012 Principal amount RM'000	2012 Credit equivalent amount * RM'000	2012 Risk-Weighted Amount RM'000
Interest rate related contracts:						
One year or less	835,488	1,868	680	-	-	-
Over one year to five years	6,192,688	225,076	53,150	2,628,491	87,949	41,654
Over five years	317,000	23,094	7,019	50,000	4,500	2,250
Credit Derivative Contracts:						
One year or less	-	-	-	27,115	897	823
Over one year to five years	2,334,208	143,314	29,790	2,132,098	134,374	44,343
	19,011,922	889,218	353,263	7,292,348	416,348	202,839

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

32. 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 S.A. Group 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, risks related to published financial information and the financial implications resulting from reputation and compliance risks.

The Bank has implemented an Internal Operational Self Risk 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 risk of incurring a loss on loans and receivables (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's receivables, which can ultimately result in default. 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.

Credit risk is measured at portfolio level, taking into account correlations between the values of the loans and receivables making up the portfolio concerned.

Counterparty risk is the manifestation of credit risk in market, investment and/or payment transactions that potentially expose the Bank to the risk of default by the counterparty. It is a bilateral risk on a counterparty with whom one or more market transactions have been concluded. The amount of this risk may vary over time in line with market parameters that impact the value of the relevant market instrument.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivative financial instruments. The maximum exposure is shown gross, without taking account of any collateral held or other credit enhancements.

	Note	2013 RM'000	2012 RM'000
Assets			
Cash and short-term funds	5	1,577,236	1,237,032
Deposits and placements with banks and other financial institutions	6	-	105,522
Financial assets held-for-trading	7	59,265	122,599
Financial assets available-for-sale	8	550,765	332,421
Loans and advances	9	397,991	18,143
Derivative financial assets	10	216,735	72,783
Other assets	12	32,965	7,132
Total assets		2,834,957	1,895,632
Commitments and contingencies	31	889,218	416,348
Total credit exposure		3,724,175	2,311,980

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

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.

The following tables represent the Bank's credit risk concentrations as of 31 December 2013:

	Cash and short-term funds RM'000	Financial assets held-for-trading RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by industry sectors								
Government and central banks	1,483,010	59,265	325,200	-	-	-	1,867,475	-
Manufacturing	-	-	-	66,462	2,334	-	68,796	11,448
Finance, insurance and business services	94,226	-	225,565	78,066	214,353	32,965	645,175	831,837
Construction	-	-	-	31,736	48	-	31,784	40,615
Wholesale and retail	-	-	-	3,204	-	-	3,204	-
Transport, storage and communication	-	-	-	95,313	-	-	95,313	3,698
Other service activities	-	-	-	123,210	-	-	123,210	1,620
	1,577,236	59,265	550,765	397,991	216,735	32,965	2,834,957	889,218

* Excludes collective assessment allowance amounting to RM5,969,864.

** Other assets exclude deferred tax assets, property, plant and equipment and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.
(Forward)

	Cash and short-term funds RM'000	Financial assets held-for-trading RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by geographical sectors								
Malaysia	1,552,132	59,265	550,765	319,925	157,798	32,965	2,672,850	680,420
United Kingdom	24	-	-	-	26,424	-	26,448	30,998
France	252	-	-	-	32,513	-	32,765	155,077
Hong Kong	4,767	-	-	-	-	-	4,767	-
Singapore	7,490	-	-	-	-	-	7,490	-
China	-	-	-	78,066	-	-	78,066	-
Others	12,571	-	-	-	-	-	12,571	22,723
	1,577,236	59,265	550,765	397,991	216,735	32,965	2,834,957	889,218

* Excludes collective assessment allowance amounting to RM5,969,864.

** Other assets exclude deferred tax assets, property, plant and equipment and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

The following tables represent the Bank's credit risk concentrations as of 31 December 2012:

	Cash and short-term funds RM'000	Deposits and placements with licensed banks RM'000	Financial assets held-for-trading RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by industry sectors									
Government and central banks	500,467	90,206	122,599	138,965	-	-	-	852,237	-
Mining and quarrying	-	-	-	-	-	-	-	-	33,772
Manufacturing	-	-	-	-	14,813	217	-	15,030	7,382
Finance, insurance and business services	736,565	15,316	-	193,456	3,330	72,566	7,132	1,028,365	375,194
	1,237,032	105,522	122,599	332,421	18,143	72,783	7,132	1,895,632	416,348

* Excludes collective assessment allowance amounting to RM273,000.

** Other assets exclude deferred tax assets, property, plant and equipment and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

(Forward)

	Cash and short-term funds RM'000	Deposits and placements with licensed banks RM'000	Financial assets held-for-trading RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Derivative financial assets RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by geographical sectors									
Malaysia	542,180	90,206	122,599	332,421	18,143	26,288	7,132	1,138,969	254,971
United Kingdom	13	-	-	-	-	-	-	13	40,072
France	15,660	-	-	-	-	46,495	-	62,155	59,982
Hong Kong	240,250	-	-	-	-	-	-	240,250	-
Singapore	428,509	15,316	-	-	-	-	-	443,825	2,250
Others	10,420	-	-	-	-	-	-	10,420	59,073
	1,237,032	105,522	122,599	332,421	18,143	72,783	7,132	1,895,632	416,348

* Excludes collective assessment allowance amounting to RM273,000.

** Other assets exclude deferred tax assets, property, plant and equipment and statutory deposits with Bank Negara Malaysia.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 31.

Gross loans and advances are analysed as follows:

	2013 RM'000	2012 RM'000
Neither past due nor impaired	397,991	18,143
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(5,970)	(273)
	392,021	17,870

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed as follows:

		2013 RM'000	2012 RM'000
BNP Paribas Ratings			
4+	Above Average	61,243	14,813
4	Above Average	235	-
4-	Above Average	95,343	-
5+	Average	36,804	3,330
5	Average	29,735	-
5-	Average	40,981	-
6-	Below Average	1,972	-
7+	Poor	123,210	-
7	Poor	8,468	-
		397,991	18,143

The loans and advances are rated as 7+ and 7 in accordance to BNP Paribas Global ratings. These loans are categorised as medium risk to the Bank.

Credit quality of financial assets

The table below presents an analysis of the credit quality of securities for the Bank by rating:

	Available-For-Sale			
	Malaysian government investment issues RM'000	Malaysian government securities RM'000	Negotiable instruments of deposit RM'000	Total RM'000
2013				
A3	202,364	122,837	-	325,201
AAA	-	-	70,127	70,127
AA2	-	-	80,082	80,082
AA1	-	-	75,355	75,355
Total	202,364	122,837	225,564	550,765

	Held-for-trading			
	Government investment issues RM'000	Malaysian government securities RM'000	Bank Negara Malaysia debt securities RM'000	Total RM'000
2013				
A3	-	9,604	49,661	59,265

	Available-For-Sale			
	Bank Negara Malaysia debt securities RM'000	Malaysian government securities RM'000	Negotiable instruments of deposit RM'000	Total RM'000
2012				
A3	107,372	31,593	-	138,965
A+	-	-	60,022	60,022
BB	-	-	78,274	78,274
BBB+	-	-	55,160	55,160
Total	107,372	31,593	193,456	332,421

	Held-for-trading			
	Government investment issues RM'000	Malaysian government securities RM'000	Bank Negara Malaysia debt securities RM'000	Total RM'000
2012				
A3	3,343	20,008	99,248	122,599

Financial effects of collaterals

There are no collateral and other credit enhancements that mitigate credit risk held for loans and advances and other financial assets.

(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.

The VaR of the Bank at the end of the financial year, based on one-day time horizon and at 99% confidence level, is RM2,898,264 (RM2,444,935 in 2012). 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.

	2013 RM'mil	**2012 RM'mil**
Aggregate VaR	2.90	2.44

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.

(d) **Interest Rate Risk**

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials and 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 reporting date.

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2013:

The Bank ← **Non-Trading Book** →

2013	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Trading book RM'000**	**Non-interest sensitive RM'000**	**Islamic banking window-related items RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	1,507,180	-	-	-	-	-	-	70,056	1,577,236
Financial assets held-for-trading	-	-	-	-	-	47,694	-	11,571	59,265
Financial assets available-for-sale	75,355	150,210	222,582	82,217	-	-	-	20,401	550,765
Loans and advances	140,074	11,630	123,210	29,735	93,342	-	(5,970)	-	392,021
Derivative financial assets	-	-	-	-	-	216,735	-	-	216,735
Other assets	-	-	-	-	-	-	31,449	1,516	32,965
Total Assets	1,722,609	161,840	345,792	111,952	93,342	264,429	25,479	103,544	2,828,987

(Forward)

The Bank ← **Non-Trading Book** →

2013	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Trading book RM'000**	**Non-interest sensitive RM'000**	**Islamic banking window-related items RM'000**	**Total RM'000**
Liabilities									
Deposits from customers	596,326	12,030	62,477	269,417	-	-	-	78,959	1,019,209
Deposits and placements of banks and other financial institutions	988,732	65,653	-	-	-	-	-	-	1,054,385
Derivative financial liabilities	-	-	-	-	-	162,410	-	-	162,410
Other liabilities	-	-	-	-	-	-	20,154	714	20,868
Total Liabilities	1,585,058	77,683	62,477	269,417	-	162,410	20,154	79,673	2,256,872
Net interest rate gap	137,551	84,157	283,315	(157,465)	93,342	102,019	5,325	23,871	572,115

The following table represents the Group's assets and liabilities at carrying amounts as of 31 December 2012:

The Bank

2012	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Trading book RM'000**	**Non-interest sensitive RM'000**	**Islamic banking window-related items RM'000**	**Total RM'000**
	←		**Non-Trading Book**		→				
Assets									
Cash and short-term funds	1,231,632	-	-	-	-	-	-	5,400	1,237,032
Deposits and placements with banks and other financial institutions	-	90,206	15,316	-	-	-	-	-	105,522
Financial assets held-for-trading	-	-	-	-	-	122,599	-	-	122,599
Financial assets available-for-sale	133,434	148,437	-	31,593	-	-	-	18,957	332,421
Loans and advances	18,143	-	-	-	-	-	(273)	-	17,870
Derivative financial assets	-	-	-	-	-	72,783	-	-	72,783
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	5,721	-	5,721
Other assets	-	-	-	-	-	-	3,484	3,648	7,132
Total Assets	1,383,209	238,643	15,316	31,593	-	195,382	8,932	28,005	1,901,080

(Forward)

The Bank	←		**Non-Trading Book**		→				
2012	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Trading book RM'000**	**Non-interest sensitive RM'000**	**Islamic banking window-related items RM'000**	**Total RM'000**
Liabilities									
Deposits from customers	792,135	29	65,822	271,604	-	-	-	6,976	1,136,566
Deposits and placements of banks and other financial institutions	172,366	-	-	-	-	-	-	-	172,366
Derivative financial liabilities	-	-	-	-	-	26,260	-	-	26,260
Subordinated debt capital	-	161,238	-	-	-	-	-	-	161,238
Other liabilities	-	-	-	-	-	-	12,913	364	13,277
Total Liabilities	964,501	161,267	65,822	271,604	-	26,260	12,913	7,340	1,509,707
Net interest rate gap	418,708	77,376	(50,506)	(240,011)	-	169,122	(3,981)	20,665	391,373

Included in the tables below are the Bank’s assets and liabilities categorised by their average effective interest rates per annum at the reporting date:

	2013					2012				
	MYR	**USD**	**EUR**	**HKD**	**SGD**	**MYR**	**USD**	**EUR**	**HKD**	**SGD**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	
Financial Assets										
Cash and short-term funds	3.0652	0.3700	-	-	-	3.0464	0.4096	-	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-	-	3.1000	0.0100	-	-	-
Financial assets available-for-sale	3.2792	-	-	-	-	3.1548	-	-	-	-
Financial assets held-for-trading	3.1303	-	-	-	-	3.1784	-	-	-	-
Loans and advances	4.1887	1.9167	-	-	-	3.8585	-	-	-	-
Financial Liabilities										
Deposits from customers	3.0117	0.2778	-	-	-	3.0068	0.4500	0.0400	-	-
Deposits and placements of banks and other financial institutions	-	0.2378	-	-	-	-	0.2500	-	0.5000	0.1500
Subordinated debt capital	-	-	-	-	-	-	5.3900	-	-	-

(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 draw downs.

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 New Liquidity Framework.

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

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

The Bank 2013	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	1,577,236	-	-	-	-	-	1,577,236
Financial assets held-for-trading	-	49,661	-	-	9,604	-	59,265
Financial assets available-for-sale	75,355	150,210	242,983	82,217		-	550,765
Loan and advances	142,144	17,841	141,842	93,473	46,361	-	441,661
Other assets	-	-	-	-	-	32,965	32,965
Total Assets	1,794,735	217,712	384,825	175,690	55,965	32,965	2,661,892
Liabilities							
Deposits from customers	675,780	14,029	68,645	277,193	-	-	1,035,647
Deposits and placements of banks and other financial institutions	988,732	65,653	-	-	-	-	1,054,385
Other liabilities	-	-	-	-	-	20,868	20,868
Total Liabilities	1,664,512	79,682	68,645	277,193	-	20,868	2,110,900
Net Liquidity gap	130,223	138,030	316,180	(101,503)	55,965	12,097	550,992

(Forward)

The Bank 2013	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Items not recognised in the statement of financial position						
Financial guarantees	310	8,234	9,969	102,920	12,076	133,509
Net-settled derivatives	-	-	(670)	46,267	(2,103)	43,494
Gross-settled derivatives						
- Receipts	3,728,112	1,420,243	2,721,294	1,291,505	-	9,161,154
- Payments	(3,715,804)	(1,440,242)	(2,585,996)	(1,300,920)	-	(9,042,962)
	12,308	(19,999)	134,628	36,852	(2,103)	161,686

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

The Bank **2012**	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**No specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	1,237,032	-	-	-	-	-	1,237,032
Deposits and placements with banks and other financial institutions	-	90,206	15,316	-	-	-	105,522
Financial assets held-for-trading	-	-	99,248	9,461	13,890	-	122,599
Financial assets available-for-sale	152,391	148,437	-	31,593	-	-	332,421
Loan and advances	18,143	-	-	-	-	-	18,143
Other assets	-	-	-	-	-	7,132	7,132
Total Assets	1,407,566	238,643	114,564	41,054	13,890	7,132	1,822,849
Liabilities							
Deposits from customers	799,112	29	65,821	271,604	-	-	1,136,566
Deposits and placements of banks and other financial institutions	172,366	-	-	-	-	-	172,366
Subordinated debt capital	2,144	-	-	-	159,094	-	161,238
Other liabilities	-	-	-	-	-	13,277	13,277
Total Liabilities	973,622	29	65,821	271,604	159,094	13,277	1,483,447
Net Liquidity gap	433,944	258,614	48,743	(230,550)	(145,204)	(6,145)	339,402

The Bank **2012**	**Up to** **1 month** **RM'000**	**1 - 3** **months** **RM'000**	**3 - 12** **months** **RM'000**	**1 - 5** **years** **RM'000**	**Over** **5 years** **RM'000**	**Total** **RM'000**
Items not recognised in the statement of financial position						
Financial guarantees	4,652	5,321	40,041	71,987	12,076	134,077
Net-settled derivatives	-	-	16	49,335	(1,750)	47,601
Gross-settled derivatives						
- Receipts	834,104	489,444	662,565	228,788	-	2,214,901
- Payments	(878,672)	(492,492)	(686,305)	(269,877)	-	(2,327,346)
	(44,568)	(3,048)	(23,724)	8,246	(1,750)	(64,844)

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 liabilites 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.

Financial assets and financial liabilities held for trading are classified based on trading pattern. The cash flows of the derivatives are presented net as they are short-term in nature and held for trading.

(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.

The Bank

2013	RM RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	1,486,481	67,585	271	22,899	1,577,236
Financial assets held-for-trading	59,265	-	-	-	59,265
Financial assets available-for-sale	550,765	-	-	-	550,765
Loans and advances	101,401	296,590	-	-	397,991
Derivative financial assets	166,361	33,635	16,734	5	216,735
Other assets	29,138	3,724	73	30	32,965
Total Assets	2,393,411	401,534	17,078	22,934	2,834,957
Liabilities					
Deposits from customers	746,548	256,397	10,298	5,966	1,019,209
Deposits and placements of banks and other financial institutions	-	1,054,385	-	-	1,054,385
Derivative financial liabilities	144,271	17,632	494	13	162,410
Other liabilities	17,631	496	1,453	1,288	20,868
Total Liabilities	908,450	1,328,910	12,245	7,267	2,256,872
Currency gap	1,484,961	(927,376)	4,833	15,667	

The Bank

2012	**RM** **RM'000**	**USD** **RM'000**	**EUR** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Assets					
Cash and short-term funds	502,406	718,142	15,671	813	1,237,032
Deposits and placements with banks and other financial institutions	90,206	15,316	-	-	105,522
Financial assets held-for-trading	122,599	-	-	-	122,599
Financial assets available-for-sale	332,421	-	-	-	332,421
Loans and advances	17,870	-	-	-	17,870
Derivative financial assets	16,253	53,699	2,776	55	72,783
Statutory deposits with Bank Negara Malaysia	5,721	-	-	-	5,721
Other assets	6,291	809	16	16	7,132
Total Assets	1,093,767	787,966	18,463	884	1,901,080
Liabilities					
Deposits from customers	784,398	345,897	6,271	-	1,136,566
Deposits and placements of banks and other financial institutions	-	159,095	-	13,271	172,366
Subordinated debt capital	-	161,238	-	-	161,238
Derivative financial liabilities	14,108	11,925	166	61	26,260
Other liabilities	11,064	471	1,693	49	13,277
Total Liabilities	809,570	678,626	8,130	13,381	1,509,707
Currency gap	284,197	109,340	10,333	(12,497)	

33. 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.

MFRS13 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 the profit and loss account.

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

	Carrying amount RM'000	**Fair value RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
2013					
Financial Assets					
Financial assets held-for-trading	59,265	59,265	59,265	-	-
Financial assets available-for-sale	550,765	550,765	325,200	225,565	-
Loans and advances*	392,021	392,021	-	-	392,021
Derivative financial assets	216,735	216,735	-	175,636	41,099
Financial Liabilities					
Deposits from customers*	1,019,209	1,016,966	-	-	1,016,966
Derivative financial liabilities	162,410	162,410	-	151,297	11,113

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

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
2012					
Financial Assets					
Financial assets held-for-trading	122,599	122,599	122,599	-	-
Financial assets available-for-sale	332,421	332,421	138,965	193,456	-
Loans and advances*	17,870	17,870	-	-	17,780
Derivative financial assets	72,783	72,783	-	16,231	56,552
Financial Liabilities					
Deposits from customers*	1,136,566	1,135,243	-	-	1,135,243
Derivative financial liabilities	26,260	26,260	-	15,788	10,472
Subordinated debt capital*	161,238	161,238	-	-	161,238

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

Reconciliation of movements in level 3 financial instruments

	2013 RM'000	2012 RM'000
Derivative Financial Assets		
At 1 January	56,552	-
Gains/(Loss) recognised in profit or loss:		
Realised	(104)	-
Unrealised	(15,349)	56,552
At 31 December	41,099	56,552
Derivative Financial Liabilities		
At 1 January	10,472	-
(Gains)/Loss recognised in profit or loss:		
Realised	(1,427)	-
Unrealised	2,068	10,472
At 31 December	11,113	10,472

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) **Deposits and placements with other banks and other financial institutions**

Deposits and placements below one year are at carrying amounts while those maturing beyond one year have been valued based on discounted cashflows.

(iii) **Financial assets held-for-trading and available-for-sale**

The estimated fair value is based on quoted and observable market prices at the reporting date. 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 instrument at the reporting date.

(iv) **Loans and advances**

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. In respect of nonperforming loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

(v) **Statutory deposit with BNM**

Statutory deposit with BNM is stated at carrying amount.

(vi) **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 cashflows.

(vii) **Deposits and placements from banks and other financial institutions**

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

(viii) **Subordinated debt capital**

The estimated fair value is based on observable market prices at the reporting date. Where such 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 instrument at the reporting date.

(ix) **Derivative financial instruments**

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

Financial assets/ Financial liabilities	Fair Value as at 31.12.2013 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Fair Value as at 31.12.2012 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign exchange derivative									
Currency forwards	18,247	7,115	Level 2	636	837	Level 2	Curve stripping which generates discount factors and forwards. Inputs are quoted market instruments.	N/A	N/A
Currency swap	93,962	103,516	Level 2	1,880	2,187	Level 2	Curve stripping which generates discount factors and forwards. Inputs are quoted market instruments.	N/A	N/A

(Forward)

Financial assets/ Financial liabilities	Fair Value as at 31.12.2013 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Fair Value as at 31.12.2012 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign exchange derivative									
Currency options	11,365	2,113	Level 2	1,330	1,899	Level 2	Inputs are quoted market vanilla instruments and discount factors derived from curve stripping. Vanilla uses parameterized interpolation volatility smile. Exotic pricing uses local mixture model valued using Monte Carlo and PDE techniques. Model parameter derived from market one touch barrier prices.	N/A	N/A
Interest rate derivative									
Interest rate swaps	52,062	38,553	Level 2	12,385	10,865	Level 2	Curve stripping which generates discount factors and forwards. Inputs are quoted market instruments.	N/A	N/A

(Forward)

Financial assets/ Financial liabilities	Fair Value as at 31.12.2013 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Fair Value as at 31.12.2012 Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Credit derivatives									
Credit defaults swaps	41,099	11,113	Level 3	56,552	10,472	Level 3	Interpolation and extrapolation are flat fwd hazard rate. Inputs are credit spreads, recoveries and interest rate curves obtained from quoted market instruments.	N/A	N/A
Financial Assets									
Held-for-trading	59,265	-	Level 1	122,599	-	Level 1	Quoted bid prices in an active market	N/A	N/A
Available-for-sale	325,200	-	Level 1	138,965	-	Level 1	Quoted bid prices in an active market	N/A	N/A
Available-for-sale	225,565	-	Level 2	193,456	-	Level 2	Fair values based on observable inputs.	N/A	N/A

34. CAPITAL ADEQUACY

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

	2013 RM'000	2012 RM'000
Tier-I capital		
Paid-up share capital	601,920	441,920
Accumulated losses	(16,749)	(34,507)
	585,171	407,413
Less:		
Deferred tax assets	(6,464)	(7,816)
55% of cumulative gains of AFS financial instruments	(16)	-
Other disclosed reserves	29	-
Total Tier-I capital	578,720	399,597
Tier-II capital		
Collective assessment allowance	5,970	273
Subordinated debt capital	-	159,094
Total Tier-II capital	5,970	159,367
Total Capital base	584,690	558,964
Capital Ratios		
Core capital ratio	35.460%	37.990%
Risk-weighted capital ratio	35.826%	53.140%

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

	2013		2012	
	Principal RM'000	**Risk Weighted RM'000**	**Principal RM'000**	**Risk Weighted RM'000**
Risk weight				
0%	1,801,706	-	733,695	-
20%	809,259	161,852	864,664	172,933
50%	187,699	93,849	165,970	82,985
100%	518,585	518,585	183,823	183,823
Credit risk		774,286		439,741
Market risk		767,866		545,478
Operational risk		89,876		66,563
Total risk-weighted assets		1,632,028		1,051,782

35. ISLAMIC BANKING BUSINESS

The Bank launched its Islamic Banking Business on 4 June 2012. The financial position as at 31 December 2013 and results for the financial year ended on this date under the Islamic banking business of the Bank are summarised as follows:

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Cash and short-term funds	(a)	70,056	5,400
Financial assets held-for-trading	(b)	11,571	-
Financial assets available-for-sale	(c)	20,401	18,957
Other assets	(d)	1,516	3,648
Property, plant and equipment	(e)	15	-
Intangible assets	(f)	12	-
TOTAL ASSETS		103,571	28,005
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(g)	78,959	6,976
Other liabilities	(h)	714	364
Deferred tax liabilities	(i)	6	-
Total liabilities		79,679	7,340
Capital fund		24,350	23,600
Accumulated losses		(476)	(2,937)
Reserve		18	2
Islamic banking funds	(j)	23,892	20,665
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		103,571	28,005
COMMITMENTS AND CONTINGENCIES		-	-

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

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013 (WITH COMPARATIVE FIGURES FOR PERIOD 4 JUNE 2012 TO 31 DECEMBER 2012)

	Note	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Total income derived from investment of Islamic banking funds and depositors' funds		665	385
Income derived from investment of Islamic banking funds and depositors' funds	(k)	665	385
Profit expense to depositors		(245)	(32)
Net income derived from investment of Islamic banking funds and depositors' funds		420	353
Other operating income	(l)	4,758	-
Operating expenses	(m)	(2,717)	(3,290)
Profit/(Loss) for the financial year/period before zakat and taxation		2,461	(2,937)
Zakat		-	-
Income tax expense		-	-
Profit/(Loss) for the financial year/period after zakat and income tax		2,461	(2,937)
Other comprehensive income:			
Items that will not be reclassified subsequent to profit or loss		-	-
Items that may be reclassified subsequent to profit or loss:			
Net fair value gain on available-for-sale financial assets		16	2
Other comprehensive income, net of tax		16	2
Total comprehensive profit/(loss) for the year/period		2,477	(2,935)

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013 (WITH COMPARATIVE FIGURES FOR THE PERIOD 4 JUNE 2012 TO 31 DECEMBER 2012)

	Capital fund RM'000	Fair value reserve-available -for-sale securities RM'000	Accumulated losses RM'000	Total RM'000
As of 4 June 2012	20,000	-	-	20,000
Loss for the period	-	-	(2,937)	(2,937)
Other comprehensive income	-	2	-	2
Capital reallocation	3,600	-	-	3,600
Balance as of 31 December 2012	23,600	2	(2,937)	20,665
Balance as of 1 January 2013	23,600	2	(2,937)	20,665
Profit for the year			2,461	2,461
Unrealised net loss on revaluation of securities available for sale	-	22	-	22
Deferred tax	-	(6)	-	(6)
Capital reallocation	750	-	-	750
Balance as of 31 December 2013	24,350	18	(476)	23,892

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

BNM had given its approval to the Bank to conduct Islamic banking business under its Islamic Banking Window ("IBW') in April 2012. Subsequently, the Bank launched the IBW on 4 June 2012.

In line with the requirement of BNM's Shariah Governance Framework for Islamic Financial Institution (BNM/RH/GL_012_3), the Bank established its Shariah Committee within the IBW to advise the Board of Directors on Shariah matters of IBW's business operations and to ensure that the Islamic banking products and services offered by the Bank through IBW and the relevant documentation are in compliance with Shariah principles.

As at 31 December 2013, the Bank's Shariah Committee comprises of five (5) members as follows:

1) Prof Dato' Dr Mohd Ali Bin Hj Baharum;
2) Prof Dato' Dr Abdul Monir Bin Yaacob;
3) Encik Muhammad Ali Jinnah bin Ahmad;
4) Dr Zaharuddin Bin Abdul Rahman (appointed on 12 December 2013); and
5) Encik Fazlur Rahman Bin Ebrahim (appointed on 13 December 2013)

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

	2013 RM'000	2012 RM'000
At Amortised Cost		
Cash and balances with licensed banks	70,056	5,400

(b) **FINANCIAL ASSETS HELD-FOR-TRADING**

	2013 RM'000	2012 RM'000
At Fair Value		
Government securities:		
BNM Debt Securities	11,571	-

(c) **SECURITIES - AVAILABLE FOR SALE**

	2013 RM'000	2012 RM'000
At Fair Value		
Government securities:		
Malaysian Government Investment Issues	20,401	-
BNM Debt Securities	-	18,957
	20,401	18,957

(d) OTHER ASSETS

	2013 RM'000	2012 RM'000
Other receivables, deposit and prepayments	1,516	3,648

(e) PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RM'000	Total RM'000
2013		
Cost		
At beginning of year	-	-
Additions	22	22
At end of year	22	22
2013		
Accumulated Depreciation		
At beginning of year	-	-
Charge for the year	7	7
At end of year	7	7
Net Book Value		
As of 31 December 2013	15	15

(f) **INTANGIBLE ASSETS**

	2013 RM'000	2012 RM'000
Computer Software:		
Cost		
At 1 January	-	-
Additions	31	-
At 31 December	31	-
Accumulated Depreciation		
At 1 January	-	-
Amortisation for the year/period	19	-
At 31 December	19	-
Net Book Value	12	-

(g) **DEPOSITS FROM CUSTOMERS**

Type

	2013 RM'000	2012 RM'000
At Amortised Cost:		
Non-Mudharabah Fund		
Demand deposits	3,098	2,976
Commodity Murabahah	75,861	4,000
	78,959	6,976

(i) Maturity structure of deposit from customers is as follows:

	2013 RM'000	2012 RM'000
Due within six months	75,861	4,000

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

	2013 RM'000	2012 RM'000
Business enterprise	291	1,395
Domestic non-bank financial institution	78,668	5,581
	78,959	6,976

(h) **OTHER LIABILITIES**

	2013 RM'000	2012 RM'000
Other liabilities	714	364

(i) **DEFERRED TAX LIABILITIES**

	2013 RM'000	2012 RM'000
At 1 January/Date of incorporation	-	-
Recognised in other comprehensive income	(6)	-
At 31 December	(6)	-

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 fiscal authority.

(j) ISLAMIC BANKING FUNDS

	2013 RM'000	2012 RM'000
Capital fund:		
Balance as of 1 January/Date of set up	23,600	20,000
Capital reallocation	750	3,600
Balance as of 31 December	24,350	23,600
Fair value reserve	18	2
Accumulated losses	(476)	(2,937)
	23,892	20,665

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

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Money at call and deposit placement with financial institutions	3	253
Financial assets held-for-trading	51	-
Financial assets available-for-sale	641	132
Amortisation of premium less accretion of discount	(30)	-
	665	385

(l) OTHER OPERATING INCOME

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Fee income:		
Commissions	4	-
Other fee income	1,825	-
Net gain arising from sale of securities:		
Financial assets held-for-trading	222	-
Other income	2,707	-
	4,758	-

(m) OTHER OPERATING EXPENSES

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Personnel costs (Note i)	2,000	1,778
Establishment costs (Note ii)	398	449
Marketing expense (Note iii)	4	35
Administration and general expenses (Note iv)	315	1,028
	2,717	3,290

(i) Personnel Costs

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Wages, salaries and bonuses	1,694	1,410
Defined contribution retirement plan	178	248
Social security cost	2	2
Other staff related expense	126	118
	2,000	1,778

(ii) **Establishment Costs**

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Rental of premises	202	206
Amortisation of intangible assets	19	-
Depreciation of property, plant and equipment	7	-
Others	170	243
	398	449

(iii) **Marketing Expenses**

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Advertising	-	17
Other	4	18
	4	35

(iv) **Administration and General Expenses**

	Year Ended 31 December 2013 RM'000	Period Ended 31 December 2012 RM'000
Legal and professional fees	199	810
Communication and transportation	-	120
Others	116	98
	315	1,028

Included in administration and general expenses is the Syariah Committee's remuneration of RM170,750 (2012: RM168,750).

(n) SHARIAH NON-COMPLIANCE EVENT

During the financial year, three Shariah Non-Compliant Transactions were identified. The Shariah Non-Compliant Transactions were detected in the operational process of Commodity Murabahah deposits, specifically in the failure to execute the contracts according to the correct sequence as stipulated in the Standard Operating Procedure. The income affected from these Shariah non-compliant events is RM408 and this amount has been set aside to be distributed to selected charitable organisations in 2014. The selection of charitable organisations has been endorsed by the Shariah Committee and approved by the Board of Directors.

The Shariah Committee and the Board of Directors have approved the necessary effort by management to implement control mechanisms as rectification measures to prevent similar breaches from recurring. These include measures such as implementation of strict time-stamping procedures and updating of the relevant internal product manuals and Standard Operating Procedures. Training and better communication measures have also been undertaken to provide clear guidance to the operational procedure. A continuous Shariah review exercise will also be undertaken. The Bank has also engaged with an external Shariah consultancy firm to help the Bank establish the Shariah review program.

(o) CAPITAL ADEQUACY

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

	2013 RM'000	2012 RM'000
Tier-I capital		
Capital fund	24,350	23,600
Accumulated losses	(476)	(2,937)
	23,874	20,663
Less:		
55% of cumulative gains of AFS instruments	(10)	-
Other disclosed reserves	18	-
Total Tier-I capital	23,882	20,663
Tier-II capital		
Collective assessment allowance	-	-
Subordinated debt capital	-	-
Total Tier-II capital	-	-
Total Capital base	23,882	20,663
Capital Ratios		
Core capital ratio	129.430%	307.670%
Risk-weighted capital ratio	129.430%	307.670%

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

	2013		2012	
	Principal RM'000	**Risk Weighted RM'000**	**Principal RM'000**	**Risk Weighted RM'000**
Risk weight				
0%	22,852	-	21,905	-
20%	65,650	13,130	-	-
100%	1,698	1,698	3,648	3,648
Credit risk		14,828		3,648
Market risk		972		2,453
Operational risk		2,652		615
Total risk-weighted assets		18,452		6,716

The following table represents the Islamic Banking window's assets and liabilities at carrying amounts as of 31 December 2013:

The Bank 2013	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Assets						
Cash and short-term funds	70,056	-	-	-	-	70,056
Financial assets held-for-trading	-	11,571	-	-	-	11,571
Financial assets available-for-sale	-	-	20,401	-	-	20,401
Total Assets	70,056	11,571	20,401	-	-	102,028
Liabilities						
Deposits from customers	78,788	-	171	-	-	78,959
Total Liabilities	78,788	-	171	-	-	78,959
Net liquidity gap	(8,732)	11,571	20,230	-	-	23,069

The following table represents the Islamic Banking window's assets and liabilities at carrying amounts as of 31 December 2012:

The Bank 2012	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Assets						
Cash and short-term funds	5,400	-	-	-	-	5,400
Financial assets available-for-sale	18,957	-	-	-	-	18,957
Total Assets	24,357	-	-	-	-	24,357
Liabilities						
Deposits from customers	6,976	-	-	-	-	6,976
Total Liabilities	6,976	-	-	-	-	6,976
Net liquidity gap	17,381	-	-	-	-	17,381