

Company No. 918091 - T

**BNP PARIBAS MALAYSIA BERHAD**

(Company No. 918091 - T)

(Incorporated in Malaysia)

**REPORT OF THE DIRECTORS**

**AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

(In Ringgit Malaysia)

Company No. 918091 - T

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

**FINANCIAL STATEMENTS**

<b>CONTENTS</b>	<b>PAGE(S)</b>
Report of the Directors	1 - 13
Shariah committee's report	14 - 15
Independent auditors' report	16 - 17
Statement of financial position	18
Statement of profit or loss and other comprehensive income	19
Statement of changes in equity	20
Statement of cash flows	21 - 22
Notes to the financial statements	23 - 116
Statement by Directors	117
Declaration by the Officer primarily responsible for the financial management of the Company	118

**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 2014.

**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:

	<b>RM'000</b>
<b>Profit before tax</b>	48,099
<b>Income tax expense</b>	<u>(17,126)</u>
<b>Profit for the year</b>	<u><u>30,973</u></u>

**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

The Bank has not issued any new shares or 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:

	<b>No. of ordinary shares of EUR2 each</b>			
	<b>Balance as of 1.1.2014</b>	<b>Definitive allotment</b>	<b>Sold</b>	<b>Balance as of 31.12.2014</b>
<b>Shares in the ultimate holding company, BNP Paribas S.A.</b>				
<u>Direct interest:</u>				
Dayakrishna Vaidynatha Chetti	2,195	-	-	2,195
Jean-Pierre Roger Beno Bernard	12,196	-	-	12,196
Yves Maurice Guy Marie Drieux	2,122	336	-	2,458

	<b>No. of employee share options of EUR2 each</b>			<b>Balance as of 31.12.2014</b>
	<b>Balance as of 1.1.2014</b>	<b>Granted</b>	<b>Lapsed</b>	
<b>Share options in the ultimate holding company, BNP Paribas S.A.</b>				
Dayakrishna Vaidynatha Chetti	5,674	-	-	5,674
Jean-Pierre Roger Beno Bernard	19,014	-	(10,340)	8,674
Yves Maurice Guy Marie Drieux	12,367	-	(5,323)	7,044

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 as set out in the Guidelines/Policy Documents on Financial Reporting for Banking Institutions, Financial Reporting for Islamic Banking Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

## **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 7 Directors, the majority of whom are Non-Executive Directors. The Directors who served since the date of the last report:

<u>Members</u>	<u>Status of directorship</u>
Dato Abdullah Bin Mat Noh	Independent Non-Executive Director
Dayakrishna Vaidynatha Chetti (resigned as Managing Director on 18 March 2015)	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
Chia Seng Leng (appointed on 3 September 2014)	Independent Non-Executive Director
Pierre Veyres (appointed on 3 September 2014)	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 months. During the financial year ended 31 December 2014, the Board met twelve (12) times and the attendance at the Board meetings is as follows:-

Dato Abdullah Bin Mat Noh (Chairman)	12/12
Dayakrishna Vaidynatha Chetti	11/12
Halim Bin Haji Din	11/12
Jean-Pierre Roger Beno Bernard	9/12
Yves Maurice Guy Marie Drieux	10/12
Chia Seng Leng (appointed on 3 September 2014)	3/4
Pierre Veyres (appointed on 3 September 2014)	1/4

### Board Committees

#### *Board Risk Management Committee*

The Board Risk Management 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 Management Committee meets at least once every quarter. During the financial year ended 31 December 2014, the Board Risk Management Committee met ten (10) times and the attendance at the Board Risk Management Committee meetings is as follows:

Chia Seng Leng (appointed on 3 September 2014 and redesignated as Chairman on 8 December 2014)	1/1
Dato Abdullah Bin Mat Noh (redesignated as Member on 8 December 2014)	10/10
Jean-Pierre Roger Beno Bernard	6/10
Yves Maurice Guy Marie Drieux (stepped down from the Committee on 8 December 2014)	6/9
Halim Bin Haji Din (appointed on 22 January 2014 and stepped down from the Committee on 8 December 2014)	8/9

### *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 once annually. During the financial year ended 31 December 2014, 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 (stepped down from the Committee on 8 December 2014)	6/8
Halim Bin Haji Din	8/8
Jean-Pierre Roger Beno Bernard	5/8
Yves Maurice Guy Marie Drieux	8/8
Pierre Veyres (appointed on 8 December 2014)	N/A

The Remuneration Committee met six (6) times and the attendance at the Remuneration Committee meetings is as follows:

Halim Bin Haji Din (Chairman)	6/6
Jean-Pierre Roger Beno Bernard (stepped down from the Committee on 8 December 2014)	3/6
Yves Maurice Guy Marie Drieux	6/6
Pierre Veyres (appointed on 8 December 2014)	N/A

### *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 2014, the Audit Committee met six (6) times and the attendance at the Audit Committee meetings is as follows:

Company No. 918091 - T

Halim Bin Haji Din (Chairman)	6/6
Dato Abdullah Bin Mat Noh (stepped down from the Committee on 8 December 2014)	6/6
Jean-Pierre Roger Beno Bernard (stepped down from the Committee on 8 December 2014)	3/6
Yves Maurice Guy Marie Drieux	5/6
Chia Seng Leng (appointed on 8 December 2014)	N/A

### *Shariah Committee*

The Shariah Committee was established in line with BNM's Shariah Governance Framework for Islamic Financial Institutions ("BNM/RH/GL\_012\_3") to provide an oversight on Shariah matters related to its Islamic business activities in ensuring the Islamic banking products and services offered by the Bank and the relevant documentations are in compliance with Shariah principles. 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 2014, the Shariah Committee met six (6) times and the attendance at the Shariah Committee meetings is as follows:

Prof Dato' Dr Mohd Ali Bin Hj Baharum	5/6
Prof Dato' Dr Abdul Monir Bin Yaacob	5/6
Encik Muhammad Ali Jinnah Bin Ahmad	6/6
Dr Zaharuddin Bin Abdul Rahman	5/6
Encik Fazlur Rahman Bin Ebrahim	5/6

Shariah Committee fulfilled the mandatory Fit & Proper Criteria including the minimum 75% attendance as required by BNM's Shariah Governance Framework for Islamic Financial Institutions.

### 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 2014

The significant growth in BNP Paribas client assets and client deposits in 2014 has been largely in line with our financial year 2014 business plan. Client acquisition remains at the heart of our strategy. 2014 confirms the good potential with prospects, broadening of conglomerates and geographical penetration and is evidenced by the satisfactory progress in flow revenues with corporates, especially Foreign Exchange and Trade. While building a visible presence in wholesale banking market through a number of high profile capital market deals, BNP Paribas has also developed a recognised presence in the derivatives market, as well of cross border flows into Malaysian Government Securities and has been active in high profile financing deals.

Our Islamic Banking Window activity has started with 2 visible Islamic Capital Market transactions and is expected to accelerate, while we have also partnered with International Centre for Education in Islamic Finance (“INCEIF”) to create a joint Research Center on Islamic Wealth Management.

For the current financial year, the Bank recorded a net profit after tax of RM30.973 million. This was achieved on the back of net interest income of RM52.529 million, non-interest income of RM42.083 million complemented by a write back of collective provision on loans and receivables. However, this was slightly offset by operating expenses and other provisions of RM52.184 million.

The Bank’s statement of financial position as at 31 December 2014 stood at RM3.7 billion, an increase of RM0.8 billion compared to 31 December 2013 with the bulk of the assets invested in securities and loans and advances. The increase in the balance sheet size was funded by growth in deposits from customers and deposits and placements from banks and other financial institutions.

### Outlook for 2015

With the Malaysian economy projected to register a gross domestic product (“GDP”) growth of 5.0% to 5.5% in 2015, 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.

Moving forward, Malaysia’s GDP is expected to remain on a steady growth path. Domestic demand is expected to remain favourable while investment is projected to remain resilient with broad-based capital spending by both the private and public sectors cushioning the lower oil and gas-related investment activity.

Private investment would remain vibrant and was expected to register double-digit growth supported by the ongoing implementation of the 10 Malaysia Plan, Economic Transformation Programme (“ETP”) and Government Transformation Programme. The ETP has generated significant investment since its launch in 2010.

On the supply side, most sectors are expected to expand with manufacturing and services remaining the drivers of growth, supported by sustained domestic economy activity, higher export oriented manufacturing activities and trade-related services. We are monitoring the evolution of the Oil & Gas sector.

Malaysia's external position is also expected to remain strong in line with improved prospects for global growth and trade while the current account is expected to remain in surplus in 2015.

Fiscal policy in 2015 would continue to focus on improving the financial position of the government while supportive of economic growth and reform initiatives.

The Eleventh Malaysia Plan ("11MP") which would be tabled in 2015 is expected to accelerate the transformation to an advanced nation status.

The five-year plan is expected to focus on further strengthening growth, particularly in services and manufacturing, harnessing human capital, promoting entrepreneurship, enhancing environmental management, improving the nation's well-being and enhancing exclusiveness.

The 11MP would also promote greater dynamism of the private sector, especially small and medium enterprises to boost their contribution to the economy.

On our business strategy for the coming year, the Bank will continue 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 continue to grow our client base as well as increasing intensity and deepening client relationships with our existing clients.

## **RATINGS BY AN EXTERNAL RATING AGENCY**

Details of the Bank's rating are as follows:

<b>Name of rating agency</b>	<b>Date of the rating</b>	<b>Rating received</b>
RAM Rating Services Berhad ("RAM Ratings")	August 2014	Long term - AA2 Short term - P1 Outlook - Stable

### Rating classification description

RAM Ratings has reaffirmed BNP Paribas Malaysia Berhad's (the Bank) AA2/Stable/P1 financial institution ratings. The Bank's ratings reflect the strong support that it derives from its parent, BNP Paribas SA (the Group) in terms of financial flexibility, as well as its ability to leverage on the Group's global franchise, international network and technical knowledge. BNP Paribas is one of the world's largest global financial institutions, with €2.1 trillion assets as at end-December 2014.

## **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.

Company No. 918091 - T

**AUDITORS**

The auditors, Messrs. Deloitte, have indicated their willingness to continue in office.

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

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**DATO ABDULLAH BIN MAT NOH**

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**HALIM BIN HAJI DIN**

Kuala Lumpur,  
March 27, 2015

## **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:

During the year ended 31 December 2014, we have:

1. reviewed the principles and contracts relating to the transactions and applications introduced by BNP Paribas Malaysia Berhad ("the Bank"); and
2. reviewed the products, processes and transactional documents and contracts entered into and/or offered by the Bank.

The abovementioned 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 (where relevant) as well as the decisions made by us.

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 and report to you.

We have assessed the work carried out by the Shariah review and 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 review and 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.

In our opinion, for the year ended 31 December 2014,

1. the products and processes of the Bank that we have reviewed and endorsed during the year ended 31 December 2014 are in compliance with the Shariah principles; and
2. the transactions and dealings entered into by the Bank are in compliance with Shariah principles

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 2014, to the best of its effort and to the best of our knowledge, have been conducted in conformity with the Shariah principles.

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

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**DR. ZAHARUDDIN BIN ABDUL RAHMAN**  
(Deputy Chairman)

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**PROF DATO' DR ABDUL MONIR BIN YAACOB**  
(Member)

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**ENCIK MUHAMMAD ALI JINNAH BIN AHMAD**  
(Member)

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**ENCIK FAZLUR RAHMAN BIN EBRAHIM**  
(Member)

**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 2014 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 116.

*Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of these 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.

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.

(Forward)

Company No. 918091 - T

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 2014 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.

**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**

**KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN**  
**Partner - 2903/11/15 (J)**  
**Chartered Accountant**

27 March 2015

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

**STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
<b>ASSETS</b>			
Cash and short-term funds	5	926,344	1,577,236
Reverse repurchase agreements	6	18,985	-
Financial assets held-for-trading	7	869,468	59,265
Financial assets available-for-sale	8	651,873	550,765
Loans and advances	9	574,391	392,021
Derivative financial assets	10	455,939	216,735
Statutory deposits with Bank Negara Malaysia	11	-	-
Other assets	12	158,447	32,965
Property, plant and equipment	13	3,623	3,987
Intangible assets	14	2,600	2,634
Deferred tax assets	15	384	6,464
<b>TOTAL ASSETS</b>		<u>3,662,054</u>	<u>2,842,072</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Deposits from customers	16	1,442,276	1,019,209
Deposits and placements of banks and other financial institutions	17	1,286,291	1,054,385
Derivative financial liabilities	10	290,807	162,410
Other liabilities	18	22,794	20,868
Subordinated debt capital	19	-	-
Tax liabilities	27	3,587	-
<b>Total liabilities</b>		<u>3,045,755</u>	<u>2,256,872</u>
Share capital	20	601,920	601,920
Accumulated losses		(16,739)	(16,749)
Reserves	21	31,118	29
<b>Shareholder's equity</b>		<u>616,299</u>	<u>585,200</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>3,662,054</u>	<u>2,842,072</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<u>25,147,715</u>	<u>19,011,922</u>

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 2014**

	Note	2014 RM'000	2013 RM'000
Operating revenue		<u>127,188</u>	<u>97,580</u>
Interest income	22	85,105	59,168
Interest expense	23	<u>(32,849)</u>	<u>(28,551)</u>
Net interest income		52,256	30,617
Net income from Islamic banking business	35	<u>273</u>	<u>420</u>
		52,529	31,037
Other operating income	24	42,083	38,412
Operating expenses	25	(49,964)	(44,668)
Write back/(Allowance made) for impairment on loans and advances	26	5,671	(5,697)
Allowance for doubtful debt on other receivables	12	<u>(2,220)</u>	<u>-</u>
<b>Profit before tax</b>		48,099	19,084
Income tax expense	27	<u>(17,126)</u>	<u>(1,326)</u>
<b>Profit for the year</b>		<u><u>30,973</u></u>	<u><u>17,758</u></u>
<b>Other comprehensive income, net of income tax:</b>			
Items that may be reclassified subsequent to profit or loss:			
Net fair value gain on available-for-sale financial assets		<u>126</u>	<u>79</u>
<b>Other comprehensive income, net of tax</b>		<u>126</u>	<u>79</u>
<b>Total comprehensive income for the year</b>		<u><u>31,099</u></u>	<u><u>17,837</u></u>

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 2014**

	Note	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Revaluation reserve-available -for-sale securities RM'000	Accumulated losses RM'000	Total RM'000
<b>Balance as of 1 January 2013</b>		441,920	-	-	(50)	(34,507)	407,363
Profit for the year		-	-	-	-	17,758	17,758
Other comprehensive loss		-	-	-	79	-	79
Issuance of shares	20	160,000	-	-	-	-	160,000
<b>Balance as of 31 December 2013</b>		<u>601,920</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>(16,749)</u>	<u>585,200</u>
<b>Balance as of 1 January 2014</b>		601,920	-	-	29	(16,749)	585,200
Profit for the year		-	-	-	-	30,973	30,973
Transfer to statutory reserve		-	24,366	-	-	(24,366)	-
Transfer to regulatory reserve		-	-	6,597	-	(6,597)	-
Other comprehensive income		-	-	-	126	-	126
<b>Balance as of 31 December 2014</b>		<u><u>601,920</u></u>	<u><u>24,366</u></u>	<u><u>6,597</u></u>	<u><u>155</u></u>	<u><u>(16,739)</u></u>	<u><u>616,299</u></u>

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 2014**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax	48,099	19,084
Adjustments for:		
Unrealised loss on derivative financial instruments	14,558	29,648
Unrealised loss on foreign exchange	14,989	9,414
Allowance for doubtful debt on other receivables	2,220	-
Depreciation of property, plant and equipment	1,641	1,672
Unrealised loss on revaluation of:		
Financial assets held-for-trading	726	60
Financial assets available-for-sale	127	356
Amortisation of intangible assets	34	82
Written-off of property, plant and equipment	13	-
(Write back of allowance)/Allowance for impairment on loans and advances	(5,671)	5,697
(Gain)/Loss arising from sales of securities:		
Financial assets held-for-trading	(3,249)	(3,532)
	<hr/>	<hr/>
Operating Profit Before Working Capital Changes	73,487	62,481
(Increase)/Decrease in:		
Reverse repurchase agreement	(18,985)	-
Financial assets held-for-trading	(807,680)	66,806
Financial assets available-for-sale	(101,067)	(218,595)
Loans and advances	(176,699)	(379,848)
Statutory deposits with Bank Negara Malaysia	-	5,721
Other assets	(127,702)	(25,833)
Increase/(Decrease) in:		
Deposits from customers	423,067	(117,357)
Deposits and placements of banks and other financial institution	231,906	882,019
Derivative financial assets/liabilities	(140,353)	(46,864)
Other liabilities	1,926	7,591
	<hr/>	<hr/>
Cash (used in)/generated from operations	(642,100)	236,121
Income tax paid	(7,502)	-
	<hr/>	<hr/>
Net Cash (Used In)/From Operating Activities (Forward)	<u>(649,602)</u>	<u>236,121</u>

	Note	2014 RM'000	2013 RM'000
<b>CASH FLOWS USED IN INVESTING ACTIVITY</b>			
Purchase of property, plant and equipment		<u>(1,290)</u>	<u>(201)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITY</b>			
Payment of accrued interest on subordinated debt capital		<u>-</u>	<u>(1,238)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(650,892)	234,682
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>1,577,236</u>	<u>1,342,554</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>926,344</u>	<u>1,577,236</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term funds	5	<u>926,344</u>	<u>1,577,236</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**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 27 March 2015.

**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 refers to banking business based on Shariah principles.

**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 2014 as listed below:

MFRS 132	Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

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.

### **Bank Negara Malaysia (“BNM”) Guidelines**

On 4 February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, pursuant to paragraph 13 of the BNM’s Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves are maintained in addition to the impairment provisions required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained earnings to a separate reserve within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015. During the financial year, the Bank has transferred RM6,597,000 from its retained earnings to regulatory reserves in accordance with BNM’s requirements upon the early adoption by the Bank.

### **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 operations of 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 <sup>4</sup>
MFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to MFRS 101	Disclosure Initiative <sup>2</sup>
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions) <sup>1</sup>
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2010-2012 Cycle <sup>1</sup>	
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2011-2013 Cycle <sup>1</sup>	
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2012-2014 Cycle <sup>2</sup>	

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

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.

## **MFRS 9 Financial Instruments**

In November 2014, Malaysian Accounting Standards Board (“MASB”) issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

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.
- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an „economic relationship“. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced

### **Annual Improvements to MFRSs 2010-2012 Cycle**

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below.

The amendments to MFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to MFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to MFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at the end of each reporting period, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustment) should be recognised in profit and loss. The amendments to MFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to MFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of MFRS 13 clarify that the issue of MFRS 13 and consequential amendments to MFRS 139 and MFRS 9 did not remove the ability to measure short-term receivables and payables with no stated profit rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to MFRS 116 and MFRS 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to MFRS 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

### **Annual Improvements to MFRSs 2011-2013 Cycle**

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below.

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to MFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, MFRS 139 or MFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within MFRS 132.

The amendments to MFRS 140 clarify that MFRS 140 and MFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a. the property meets the definition of investment property in terms of MFRS 140; and
- b. the transaction meets the definition of a business combination under MFRS 3.

### **Annual Improvements to MFRSs 2012-2014 Cycle**

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below.

The amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operation* adds specific guidance in MFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to MFRS 7 *Financial Instruments: Disclosures* clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to MFRS 119 *Employee Benefits* clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendments to MFRS 134 *Interim Financial Reporting* clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of the Bank have been prepared on the historical cost basis, unless otherwise indicated in the significant accounting policies stated below.

Historical cost is generally based on the fair value of consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

#### **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, revaluation 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.

Regardless of their classification (at fair value through profit or loss, loans and receivable or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognised between the trade date and the settlement date when the transactions are recognised, respectively, as “Loans and receivables” and “Liabilities”. When reverse repurchase agreements and repurchase agreements are recognised, respectively, as “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss”, the repurchase commitment is recognised as a derivatives financial instrument.

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.

### **Functional and presentation currency**

The financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Ringgit Malaysia (RM), which is also the Bank’s functional currency.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM’000) except where otherwise indicated.

### **Foreign currency transactions**

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

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

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the Bank at the closing rate. Translation differences are recognised in profit or loss, except for those arising from financial instruments designated as a cash flow hedge or a net 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 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 mapped to the local rating categories by RAM as indicated in Bank Negara Malaysia's Capital Adequacy Framework. 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. 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.

#### Impairment of available-for-sale financial assets

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.

### Derivatives held for trading purposes

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.

### Derivatives and hedge accounting

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.

### Forward exchange contracts

Unmatured forward exchange contracts are valued at forward rates as of the reporting date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the statements of comprehensive income.

### Interest rates swap, futures, forward and option contracts

The Bank act as an intermediary with counterparties who wish to swap their interest obligations. The Bank also use interest rate swaps, futures, forward and option contracts in its trading account activities and in its overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rates futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in the profit or loss.

### **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 underlying.

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.

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

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

The depreciation is made at the following rates:

Office equipment	20%
Renovation and installation	12.47%
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 profit or loss and other 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.

- Shared-based compensation

BNP Paribas has set out share-based payment compensation for certain employees, including stock option and share award plans implemented as part of loyalty schemes and a Global Share-based Incentive Plan. As part of the Group's variable remuneration policy, certain high-performing and newly recruited employees are offered a loyalty bonus scheme, entitling them to specific share-based remuneration, payable over the several years, and subject to the condition that the employees remain within the Group.

Under MFRS 2: "Share-based payment", the Company makes a charge to the profit or loss in connection with expenses relating to share-based payments from grant date to vesting 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.

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

Deferred income tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in 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.

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 debt securities (excluding negotiable certificates of deposit).

## **4. CRITICAL ACCOUNTING JUDGEMENTS 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

	2014 RM'000	2013 RM'000
<b>At Amortised Cost:</b>		
Cash and balances with banks and other financial institutions	51,805	31,222
Money at call and deposit placements maturing within one month	<u>874,539</u>	<u>1,546,014</u>
	<u>926,344</u>	<u>1,577,236</u>

6. REVERSE REPURCHASE AGREEMENTS

	2014 RM'000	2013 RM'000
<b>At Fair Value:</b>		
Government securities:		
Malaysian Government Securities	<u>18,985</u>	<u>-</u>

**7. FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>At Fair Value:</b>		
Government securities:		
Bank Negara Malaysia Debt Securities	650,877	49,661
Malaysian Government Securities	208,566	9,604
Government Investment Issues	10,025	-
	<u>869,468</u>	<u>59,265</u>

**8. FINANCIAL ASSETS AVAILABLE-FOR-SALE**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>At Fair Value:</b>		
Government securities:		
Malaysian Government Investment Issues	-	202,364
Malaysian Government Securities	304,065	122,837
Bank Negara Malaysia Debt Securities	178,440	-
Malaysian Government Treasury Bills	28,961	-
Money market instrument:		
Negotiable Instruments of Deposit	140,407	225,564
	<u>651,873</u>	<u>550,765</u>

## 9. LOANS AND ADVANCES

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost:</b>		
<b>(i) By type</b>		
Revolving credits	384,623	68,959
Bridging loans	91,205	123,210
Term loans	38,078	29,735
Trust receipts	25,538	4,679
Bills discounting	17,889	78,066
Other trade bills discounted	11,625	-
Overdrafts	5,732	-
Syndicated term loan	-	93,342
	<hr/>	<hr/>
Gross loans and advances	574,690	397,991
Less: Allowance for impaired loans and advances:		
Collective assessment allowance	(299)	(5,970)
	<hr/>	<hr/>
Net loans and advances	<u>574,391</u>	<u>392,021</u>
<b>(ii) By type of customer</b>		
Domestic business enterprise	574,690	319,925
Bank institutions	-	78,066
	<hr/>	<hr/>
	<u>574,690</u>	<u>397,991</u>
<b>(iii) By interest rate sensitivity</b>		
Variable rate:		
Cost plus	574,690	397,991
	<hr/>	<hr/>
<b>(iv) By residual contractual maturity</b>		
Maturity within one year	536,789	274,914
More than one year to five years	22,845	29,735
More than five years	15,056	93,342
	<hr/>	<hr/>
	<u>574,690</u>	<u>397,991</u>

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>(v) By geographical distribution</b>		
In Malaysia	574,690	319,925
In China	-	78,066
	<u>574,690</u>	<u>397,991</u>
<b>(vi) By Sector</b>		
Manufacturing	296,275	66,462
Mining and quarrying	140,014	-
Transport, storage and communication	93,803	95,313
Construction	6,308	31,736
Wholesale and retail	3,278	3,204
Financial services	-	78,066
Other business services	35,012	-
Other service activities	-	123,210
	<u>574,690</u>	<u>397,991</u>
<b>(vii) Movements in allowance for impaired loans and advances are as follows:</b>		
The Bank has not identified any impaired loans for the current financial year.		
	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Collective Assessment Allowance</b>		
Balance as at 1 January	5,970	273
Add: Allowance made during the financial year	-	5,870
Less: Write back made during the financial year	<u>(5,671)</u>	<u>(173)</u>
Balance as at 31 December	<u>299</u>	<u>5,970</u>
Collective impairment (inclusive of regulatory reserve) as % of gross loans and advances after deduction of individual assessment allowance	<u>1.20%</u>	<u>1.50%</u>

## 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:

	<b>Notional RM'000</b>	<b>2014 Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Derivatives held for trading at fair value through profit or loss</b>			
Foreign exchange contracts:			
Currency forwards	1,188,765	73,945	(3,763)
Currency swaps	9,093,634	280,923	(227,672)
Currency options	503,388	17,879	(2,989)
Interest rate contracts:			
Interest rate swaps	11,632,020	43,609	(37,542)
Credit derivatives:			
Credit default swaps	2,463,491	39,583	(18,841)
Total derivative assets/(liabilities)	<u>24,881,298</u>	<u>455,939</u>	<u>(290,807)</u>

	<b>Notional RM'000</b>	<b>2013 Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Derivatives held for trading at fair value through profit or loss</b>			
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	<u>2,334,208</u>	<u>41,099</u>	<u>(11,113)</u>
Total derivative assets/(liabilities)	<u>18,870,315</u>	<u>216,735</u>	<u>(162,410)</u>

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 2014, the Bank has RMNil (2013: RMNil) statutory deposit with BNM.

12. **OTHER ASSETS**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Other receivables	109,349	14,206
Less: Allowance for doubtful debt on other receivables	(2,220)	-
	107,129	14,206
Collateral assets	49,515	16,740
Deposits	1,001	918
Prepayments	802	1,101
	<u>158,447</u>	<u>32,965</u>

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

Included in other receivables is as following:

- (a) Receivable from the sales of financial assets held-for-trading amounting to RM100,000,000 (2013: RM111,000); and
- (b) Fees receivables from related companies amounting to RM5,533,000 (2013: RM7,015,000).

Movements of allowance for doubtful debt on other receivables are as follows:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Individual impairment allowance</b>		
Balance as at 1 January	-	-
Add: Allowance made during the financial year	<u>2,220</u>	<u>-</u>
Balance as at 31 December	<u><u>2,220</u></u>	<u><u>-</u></u>

The other receivables of RM2,220,000 represent amount outstanding which are past due and impaired at the end of reporting period.

13. **PROPERTY, PLANT AND EQUIPMENT**

	<b>Office equipment and machinery RM'000</b>	<b>Renovation and installation RM'000</b>	<b>Furniture, fixtures and fittings RM'000</b>	<b>Computer equipment and hardware RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Renovation work-in progress RM'000</b>	<b>Total RM'000</b>
<b>2014</b>							
<b>Cost</b>							
At beginning of year	102	3,531	1,372	3,415	-	-	8,420
Additions	52	184	102	331	15	606	1,290
Write-off	-	-	(39)	-	-	-	(39)
At end of year	154	3,715	1,435	3,746	15	606	9,671
<b>2013</b>							
<b>Cost</b>							
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)							

	<b>Office equipment and machinery RM'000</b>	<b>Renovation and installation RM'000</b>	<b>Furniture, fixtures and fittings RM'000</b>	<b>Computer equipment and hardware RM'000</b>	<b>Motor vehicle RM'000</b>	<b>Renovation work-in progress RM'000</b>	<b>Total RM'000</b>
<b>2014</b>							
<b>Accumulated Depreciation</b>							
At beginning of year	51	1,601	744	2,037	-	-	4,433
Charge for the year	25	618	282	714	2	-	1,641
Write-off	-	-	(26)	-	-	-	(26)
At end of year	<u>76</u>	<u>2,219</u>	<u>1,000</u>	<u>2,751</u>	<u>2</u>	<u>-</u>	<u>6,048</u>
<b>2013</b>							
<b>Accumulated Depreciation</b>							
At beginning of year	31	1,016	470	1,244	-	-	2,761
Charge for the year	<u>20</u>	<u>585</u>	<u>274</u>	<u>793</u>	<u>-</u>	<u>-</u>	<u>1,672</u>
At end of year	<u>51</u>	<u>1,601</u>	<u>744</u>	<u>2,037</u>	<u>-</u>	<u>-</u>	<u>4,433</u>
<b>Net Book Value</b>							
As of							
31 December 2014	<u>78</u>	<u>1,496</u>	<u>435</u>	<u>995</u>	<u>13</u>	<u>606</u>	<u>3,623</u>
As of							
31 December 2013	<u>51</u>	<u>1,930</u>	<u>628</u>	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>3,987</u>

14. INTANGIBLE ASSETS

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<u>Computer Software:</u>		
<b>Cost</b>		
At 1 January/At 31 December	<u>247</u>	<u>247</u>
<b>Accumulated Depreciation</b>		
At 1 January	213	131
Amortisation for the year	<u>34</u>	<u>82</u>
At 31 December	<u>247</u>	<u>213</u>
<b>Net Book Value</b>	<u>-</u>	<u>34</u>
<u>Interbank Giro License Fees</u>		
<b>Cost</b>		
At 1 January	<u>2,600</u>	<u>2,600</u>
At 31 December	<u>2,600</u>	<u>2,600</u>
<b>Accumulated Depreciation</b>		
At 1 January	-	-
Amortisation for the year	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>
<b>Net Book Value</b>	<u>2,600</u>	<u>2,600</u>
<b>Total Net Book Value</b>	<u><u>2,600</u></u>	<u><u>2,634</u></u>

15. **DEFERRED TAX ASSETS/(LIABILITIES)**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
At 1 January	6,464	7,816
Recognised in profit or loss (Note 27)	(6,038)	(1,326)
Recognised in other comprehensive income	<u>(42)</u>	<u>(26)</u>
At 31 December	<u>384</u>	<u>6,464</u>

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:

	<b>Loans and advances RM'000</b>	<b>Property, plant and equipment RM'000</b>	<b>Financial assets available- for-sale RM'000</b>	<b>Provisions RM'000</b>	<b>Unused tax losses* RM'000</b>	<b>Unrealised gain RM'000</b>	<b>Total RM'000</b>
<b>2014</b>							
At 1 January	1,492	(435)	(9)	610	4,806	-	6,464
Recognised in profit or loss	(1,417)	285	-	(100)	(4,806)	-	(6,038)
Recognised in equity	-	-	(42)	-	-	-	(42)
At 31 December	<u>75</u>	<u>(150)</u>	<u>(51)</u>	<u>510</u>	<u>-</u>	<u>-</u>	<u>384</u>
<b>2013</b>							
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	<u>1,492</u>	<u>(435)</u>	<u>(9)</u>	<u>610</u>	<u>4,806</u>	<u>-</u>	<u>6,464</u>

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

16. **DEPOSITS FROM CUSTOMERS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Type</b>		
<b>At Amortised Cost:</b>		
Demand deposits	324,158	88,742
Fixed deposits	712,486	460,881
Collateral deposits	138,936	124,308
Structured deposits	260,510	269,417
Commodity Murabahah	6,186	75,861
	<u>1,442,276</u>	<u>1,019,209</u>

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	850,832	661,050
Six months to one year	6,776	-
More than one year	260,510	269,417
	<u>1,118,118</u>	<u>930,467</u>

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	985,705	456,408
Domestic non-bank financial institutions	315,041	372,843
Licensed banks	138,936	79,885
Other financial institutions	2,594	110,073
	<u>1,442,276</u>	<u>1,019,209</u>

**17. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost:</b>		
Licensed banks	286,591	-
Other financial institutions (Note 28)	999,700	1,054,385
	<u>1,286,291</u>	<u>1,054,385</u>

**18. OTHER LIABILITIES**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables	14,365	10,786
Accruals and charges	7,911	10,082
Other provision	518	-
	<u>22,794</u>	<u>20,868</u>

Included in other payables is an amount of RM8,937,000 (2013: RM4,101,000) representing fees payable to a related company.

**19. SUBORDINATED DEBT CAPITAL**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	-	161,238
Addition during the year	-	-
Conversion to share capital (Note 20)	-	(160,000)
Accrued interest	-	-
Interest paid	-	(1,238)
	<u>-</u>	<u>(1,238)</u>
Subordinated debt during the year	-	-
	<u>-</u>	<u>-</u>
Subordinated debt capital	-	-
	<u>-</u>	<u>-</u>

In 2012, the Bank 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.

In the previous financial year, the holder of the subordinated debt capital (“Debt”) sold the Debt to BNP Paribas S.A., the ultimate holding company of the Bank (“BNP Paribas”) which was subsequently capitalised and approved by Bank Negara Malaysia on 23 June 2013.

## 20. SHARE CAPITAL

	<b>2014 RM’000</b>	<b>2013 RM’000</b>
<b>Authorised:</b>		
Ordinary shares of RM1 each:		
At beginning of year	650,000	600,000
Created during the year	-	50,000
	<u>650,000</u>	<u>650,000</u>
At end of year	<u>650,000</u>	<u>650,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of RM1 each:		
At beginning of year	601,920	441,920
Issued during the year	-	160,000
	<u>601,920</u>	<u>601,920</u>
At end of year	<u>601,920</u>	<u>601,920</u>

## 21. RESERVES

	<b>2014 RM</b>	<b>2013 RM</b>
Non-distributable:		
Revaluation reserve-available-for-sale securities (Note a)	155	29
Statutory reserve (Note b)	24,366	-
Regulatory reserve (Note c)	6,597	-
	<u>31,118</u>	<u>29</u>

### (a) Revaluation reserve-available-for-sale securities

The revaluation reserve-available-for-sale securities represent cumulative fair value changes on securities available-for-sale.

(b) **Statutory reserve**

The statutory reserve of the Bank is maintained mainly in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) of the Islamic Financial Services Act 2013 and is not distributable as dividends.

(c) **Regulatory reserve**

The reserve is maintained as an additional credit risk absorbent to ensure the robustness of the financing impairment assessment methodology in excess of the requirements of accounting standards. The reserve is in line with the requirements of Bank Negara Malaysia in which the Bank early adopted during the year as disclosed in Note 2.

22. **INTEREST INCOME**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and advances	14,298	5,080
Money at call and deposit placements with financial institutions	47,591	37,106
Financial assets - Available-for-sale	17,918	17,066
Financial assets - Held-for-trading	5,398	822
Other interest income	1,186	176
	<u>86,391</u>	<u>60,250</u>
Amortisation of premium less accretion of discount	(1,286)	(1,082)
	<u>85,105</u>	<u>59,168</u>

23. **INTEREST EXPENSE**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements from banks and other financial institutions	2,518	2,146
Deposits from customers	30,236	22,026
Subordinated debt capital	-	4,365
Other interest expense	95	14
	<u>32,849</u>	<u>28,551</u>

## 24. OTHER OPERATING INCOME

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Fee income:		
Commissions	6,449	297
Guarantee fees	918	380
Other fee income:		
Unwinding fees	318	19,859
Advisory fees	6,935	3,453
Arrangement fees	7,206	4,831
Extension fees	-	1,259
Other fees	(816)	1,682
	<hr/>	<hr/>
	21,010	31,761
Gain/(Loss) arising from sale of securities:		
Financial assets held-for-trading	3,249	3,532
Financial assets available-for-sale	(127)	(356)
Loss on derivatives trading:		
Realised	(2,780)	(20,929)
Unrealised	(14,558)	(29,648)
Unrealised loss on revaluation of financial assets held-for-trading	(726)	(60)
Other income:		
Foreign exchange:		
Realised gain	35,941	43,905
Unrealised loss	(14,989)	(9,414)
Recharges received from related companies	7,098	17,135
Others	7,965	2,486
	<hr/>	<hr/>
	<u>42,083</u>	<u>38,412</u>

## 25. OTHER OPERATING EXPENSES

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Personnel costs (Note a)	25,636	23,280
Establishment costs (Note b)	11,106	9,370
Marketing expenses (Note c)	1,209	739
Administration and general expenses (Note d)	12,013	11,279
	<u>49,964</u>	<u>44,668</u>
<b>(a) Personnel costs</b>		
Wages, salaries and bonuses	19,948	16,286
Defined contribution retirement plan	2,441	2,217
Social security cost	417	305
Recruitment fees	-	(105)
Other staff related expenses	2,830	4,577
	<u>25,636</u>	<u>23,280</u>
<b>(b) Establishment costs</b>		
Share of information technology costs	4,143	2,774
Depreciation of property, plant and equipment (Note 13)	1,640	1,672
Amortisation of intangible assets (Note 14)	34	82
Rental of premises	1,988	1,853
Others	3,301	2,989
	<u>11,106</u>	<u>9,370</u>
<b>(c) Marketing expenses</b>		
Advertising	140	94
Others	1,069	645
	<u>1,209</u>	<u>739</u>
<b>(d) Administration and general expenses</b>		
Legal and professional fees	1,883	461
Communication and transportation	268	990
Other general expenses	9,862	9,828
	<u>12,013</u>	<u>11,279</u>

Included in the above expenditure are the following statutory disclosures:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Directors' remuneration	2,718	2,723
Auditors' remuneration:		
Statutory audit	236	210
Others	60	30
	<u>2,718</u>	<u>2,723</u>

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM1,918,000 (2013: RM1,922,500).

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

	<b>Salary and other remuneration RM'000</b>	<b>Fees RM'000</b>	<b>Bonuses RM'000</b>	<b>Benefits -in-kind RM'000</b>	<b>Total RM'000</b>
<b>2014</b>					
Managing Director/ Executive Director	950	-	600	368	1,918
Non-executive Directors	<u>-</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>
	<u>950</u>	<u>800</u>	<u>600</u>	<u>368</u>	<u>2,718</u>
<b>2013</b>					
Managing Director/ Executive Director	950	-	597	376	1,923
Non-executive Directors	<u>-</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>
	<u>950</u>	<u>800</u>	<u>597</u>	<u>376</u>	<u>2,723</u>

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:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<u>Executive Directors</u>		
Above RM500,000	1	1
RM300,000 - RM500,000	-	-
RM100,000 - RM299,000	-	-
	<u>1</u>	<u>1</u>
<u>Non - Executive Directors</u>		
Above RM100,000	2	2
RM50,000 - RM100,000	-	-
RM1 - RM49,999	-	-
	<u>2</u>	<u>2</u>

**26. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Allowance for impairment on loans, advances and financing:		
<b>Collective assessment allowance:</b>		
Made in the financial year	-	5,870
Written back in the financial year	<u>(5,671)</u>	<u>(173)</u>
	<u>(5,671)</u>	<u>5,697</u>

**27. INCOME TAX EXPENSE**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Estimated tax payable:		
Current tax	11,088	-
Deferred tax (Note 15)	<u>6,038</u>	<u>1,326</u>
	<u>17,126</u>	<u>1,326</u>

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

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Profit before tax	<u>48,099</u>	<u>19,084</u>
Taxation at Malaysian statutory tax rate of 25%	12,025	4,771
Tax effects of:		
Income not taxable for tax purposes	-	(3,445)
Expenses not deductible for tax purposes	<u>5,101</u>	<u>-</u>
Income tax expense for the year	<u>17,126</u>	<u>1,326</u>

The Finance (No.2) Act 2014 gazetted on 30 December 2014 enacts the reduction of corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rates.

## 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:

<b>Name of related parties</b>	<b>Relationship</b>
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 are determined on a basis negotiated with the said parties are as follows:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Income:</b>		
Recharges from intercompany	7,098	17,135
Other intercompany fees	5,402	6,722
Interest on cash and short term funds	53	322
Other interest	557	176
Interest on current deposit	-	1
<b>Expense:</b>		
Interest on deposits and placements of banks and other financial institutions	2,079	1,737
Other intercompany charges	5,612	4,101
Share of group and information technology costs	4,143	2,774
Interest on Murabahah deposit	139	124
Interest on current deposit	160	82
Interest on fixed deposit	92	34
Interest on collateral deposits	21	31
Other interest	46	14
	<b>Ultimate holding company RM'000</b>	<b>Related parties RM'000</b>
<b>2014</b>		
<u>Assets</u>		
Cash and short-term funds	5,112	11,082
Collateral assets	25,825	-
Derivative financial assets	14,232	16,204
Other assets	3,074	2,459
	<u>48,243</u>	<u>29,745</u>
<u>Liabilities</u>		
Demand deposits	-	5,654
Fixed deposits	-	4,507
Deposits and placements of banks and other financial institutions	-	999,700
Commodity Murabahah	-	5,006
Derivative financial liabilities	51,062	16,211
Other liabilities	5,225	3,712
	<u>56,287</u>	<u>1,034,790</u>

<b>2013</b>	<b>Ultimate holding company RM'000</b>	<b>Related parties RM'000</b>
<u>Assets</u>		
Cash and short-term funds	252	12,743
Derivative financial assets	32,513	26,424
Other assets	-	7,015
	<u>32,765</u>	<u>46,182</u>
<u>Liabilities</u>		
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
	<u>52,935</u>	<u>1,074,466</u>

**Compensation of key management personnel:**

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

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Salaries and other short-term employee benefits	2,983	2,892
Post-employment benefits:		
Defined contribution plan	64	110
	<u>3,047</u>	<u>3,002</u>

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 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:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Future minimum rental payments:		
Not later than 1 year	1,744	1,539
Later than 1 year and not later than 5 years	<u>2,035</u>	<u>3,335</u>
	<u>3,779</u>	<u>4,874</u>

**30. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Outstanding credit exposures with connected parties	158,362	236,838
Total credit exposures	<u>1,983,816</u>	<u>1,578,424</u>
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	7.98%	15.00%
as a proportion of capital base	<u>25.70%</u>	<u>40.51%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>-</u>	<u>-</u>

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.

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:

	<b>Principal amount RM'000</b>	<b>2014 Credit equivalent amount * RM'000</b>	<b>Risk- weighted amount RM'000</b>	<b>Principal amount RM'000</b>	<b>2013 Credit equivalent amount * RM'000</b>	<b>Risk- weighted amount RM'000</b>
Direct credit substitutes	163,612	163,612	143,853	133,080	133,080	89,676
Short-term self-liquidating trade-related Contingencies	47,805	9,561	9,561	429	86	86
Irrevocable commitments to extend credit:						
Maturity up to one year	-	-	-	8,098	1,620	1,620
Maturity more than one year	55,000	27,500	27,500	-	-	-
Foreign exchange related contracts:						
One year or less	8,658,297	414,500	151,586	7,885,343	187,218	66,772
Over one year to five years	2,127,490	261,665	175,760	1,305,588	173,862	104,470

(Forward)

	<b>Principal amount RM'000</b>	<b>2014 Credit equivalent amount * RM'000</b>	<b>Risk- Weighted Amount RM'000</b>	<b>Principal amount RM'000</b>	<b>2013 Credit equivalent amount * RM'000</b>	<b>Risk- Weighted Amount RM'000</b>
Interest rate related contracts:						
One year or less	3,729,220	7,677	2,561	835,488	1,868	680
Over one year to five years	7,512,800	210,564	54,905	6,192,688	225,076	53,150
Over five years	390,000	23,438	5,688	317,000	23,094	7,019
Credit Derivative Contracts:						
One year or less	840,370	43,646	8,729	-	-	-
Over one year to five years	1,623,121	102,308	21,554	2,334,208	143,314	29,790
	<u>25,147,715</u>	<u>1,264,471</u>	<u>601,697</u>	<u>19,011,922</u>	<u>889,218</u>	<u>353,263</u>

\* 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 Risk Self Assessment system, identifying areas and probability of risk. The actual occurrence of operational loss is entered into a Corporate Loss Database and reconciled against the financial statements. The Bank also has the Operational Risk Assessment Process and a Business Continuity Plan in place.

### (b) Credit Risk

Credit risk is the 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	2014 RM'000	2013 RM'000
<b>Assets</b>			
Cash and short-term funds	5	926,344	1,577,236
Reverse repurchase agreements	6	18,985	-
Financial assets held-for-trading	7	869,468	59,265
Financial assets available-for-sale	8	651,873	550,765
Loans and advances	9	574,690	397,991
Derivative financial assets	10	455,939	216,735
Other assets	12	160,667	32,965
		<u>3,657,966</u>	<u>2,834,957</u>
Total assets			
Commitments and contingencies	31	1,264,471	889,218
		<u>4,922,437</u>	<u>3,724,175</u>
Total credit exposure			

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 2014:

	<b>Cash and short-term funds RM'000</b>	<b>Reverse repurchase agreement RM'000</b>	<b>Financial assets held- for-trading RM'000</b>	<b>Financial assets available-for- sale RM'000</b>	<b>Loans and advances* RM'000</b>	<b>Derivative financial assets RM'000</b>	<b>Other assets** RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<u>Concentration risk</u>									
<u>by industry</u>									
<u>sectors</u>									
Government and central banks	900,656	18,985	869,468	511,466	-	-	-	2,300,575	-
Manufacturing	-	-	-	-	296,275	36,966	-	333,241	90,706
Mining and quarrying	-	-	-	-	140,014	-	-	140,014	876
Finance, insurance and business services	25,688	-	-	140,407	-	378,336	160,667	705,098	986,214
Construction	-	-	-	-	6,308	35,035	-	41,343	128,679
Wholesale and retail	-	-	-	-	3,278	8	-	3,286	8,303
Transport, storage and communication	-	-	-	-	93,803	5,158	-	98,961	30,367
Other business services	-	-	-	-	35,012	436	-	35,448	19,326
	<u>926,344</u>	<u>18,985</u>	<u>869,468</u>	<u>651,873</u>	<u>574,690</u>	<u>455,939</u>	<u>160,667</u>	<u>3,657,966</u>	<u>1,264,471</u>

\* Excludes collective assessment allowance amounting to RM298,888.

\*\* Other assets exclude allowance for impairment on other assets amounting to RM2,220,000, deferred tax assets and property, plant and equipment.

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

	<b>Cash and short-term funds RM'000</b>	<b>Reverse repurchase agreement RM'000</b>	<b>Financial assets held-for- trading RM'000</b>	<b>Financial assets available- for-sale RM'000</b>	<b>Loans and advances* RM'000</b>	<b>Derivative financial assets RM'000</b>	<b>Other assets** RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<u>Concentration risk</u>									
<u>by geographical</u>									
<u>sectors</u>									
Malaysia	902,553	18,985	869,468	651,873	574,690	425,452	160,667	3,603,688	1,110,262
United Kingdom	69	-	-	-	-	16,121	-	16,190	21,993
France	5,113	-	-	-	-	14,232	-	19,345	110,529
Hong Kong	2,825	-	-	-	-	83	-	2,908	265
Singapore	6,434	-	-	-	-	51	-	6,485	95
Others	9,350	-	-	-	-	-	-	9,350	21,327
	<u>926,344</u>	<u>18,985</u>	<u>869,468</u>	<u>651,873</u>	<u>574,690</u>	<u>455,939</u>	<u>160,667</u>	<u>3,657,966</u>	<u>1,264,471</u>

\* Excludes collective assessment allowance amounting to RM298,888.

\*\* Other assets exclude allowance for impairment on other assets amounting to RM2,220,000, deferred tax assets and property, plant and equipment.

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 2013:

	<b>Cash and short-term funds RM'000</b>	<b>Financial assets held-for- trading RM'000</b>	<b>Financial assets available- for-sale RM'000</b>	<b>Loans and advances* RM'000</b>	<b>Derivative financial assets RM'000</b>	<b>Other assets** RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<u>Concentration risk</u>								
<u>by industry sectors</u>								
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
	<u>1,577,236</u>	<u>59,265</u>	<u>550,765</u>	<u>397,991</u>	<u>216,735</u>	<u>32,965</u>	<u>2,834,957</u>	<u>889,218</u>

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

\*\* Other assets exclude deferred tax assets and property, plant and equipment.

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

	<b>Cash and short-term funds RM'000</b>	<b>Financial assets held-for- trading RM'000</b>	<b>Financial assets available- for-sale RM'000</b>	<b>Loans and advances* RM'000</b>	<b>Derivative financial assets RM'000</b>	<b>Other assets** RM'000</b>	<b>On balance sheet total RM'000</b>	<b>Commitments and contingencies RM'000</b>
<u>Concentration risk</u>								
<u>by geographical</u>								
<u>sectors</u>								
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
	<u>1,577,236</u>	<u>59,265</u>	<u>550,765</u>	<u>397,991</u>	<u>216,735</u>	<u>32,965</u>	<u>2,834,957</u>	<u>889,218</u>

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

\*\* Other assets exclude deferred tax assets and property, plant and equipment.

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

Gross loans and advances are analysed as follows:

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	574,690	397,991
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	<u>(299)</u>	<u>(5,970)</u>
	<u>574,391</u>	<u>392,021</u>

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:

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>BNP Paribas Ratings</b>		
3 Good	140,014	-
4+ Above Average	111,878	61,243
4 Above Average	35,012	235
4- Above Average	6,308	95,343
5+ Average	1,268	36,804
5 Average	6,032	29,735
5- Average	17,882	40,981
6+ Below Average	89,246	-
6 Below Average	17,889	-
6- Below Average	35,017	1,972
7+ Poor	16,228	123,210
7 Poor	91,205	8,468
8+ Weak	<u>6,711</u>	<u>-</u>
	<u>574,690</u>	<u>397,991</u>

The loans and advances are rated as 7+, 7 and 8+ 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:

	<b>Available-For-Sale Bank Negara</b>				<b>Total RM'000</b>
	<b>Malaysian government securities RM'000</b>	<b>Malaysian government treasury bills RM'000</b>	<b>Malaysia debt securities RM'000</b>	<b>Negotiable instruments of deposit RM'000</b>	
<b>2014</b>					
AAA	304,065	28,961	178,440	100,134	611,600
AA2	-	-	-	40,273	40,273
<b>Total</b>	<b>304,065</b>	<b>28,961</b>	<b>178,440</b>	<b>140,407</b>	<b>651,873</b>

	<b>Held-For-Trading Bank Negara</b>			<b>Total RM'000</b>
	<b>Government investment issues RM'000</b>	<b>Malaysian government securities RM'000</b>	<b>Malaysia debt securities RM'000</b>	
<b>2014</b>				
AAA	10,025	208,566	650,877	869,468

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

	<b>Held-For-Trading</b>			
	<b>Government investment issues RM'000</b>	<b>Malaysian government securities RM'000</b>	<b>Bank Negara Malaysia debt securities RM'000</b>	<b>Total RM'000</b>
<b>2013</b>				
A3	-	9,604	49,661	59,265

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 data 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 RM1,822,316 (2013: RM2,898,264). 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.

	<b>2014</b>	<b>2013</b>
	<b>RM'mil</b>	<b>RM'mil</b>
Aggregate VaR	<u>1.82</u>	<u>2.90</u>

The aggregate VaR includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate VaR can be lower than the sum of individual risk types on the same day (e.g. year end).

The maximum VaR of the bank during the year is RM 5,377,561 (2013: RM 6,584,493) while the minimum VaR during the year is RM 1,712,671 (2013: RM 1,014,392).

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profit or loss in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

**(d) Interest Rate Risk**

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials that arises mainly from the differing yields and maturity profiles between assets and liabilities.

Interest rate is monitored through the market risk management systems as part of the overall market risk management of the Bank. The following tables represents the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as at reporting date.

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2014:

<b>The Bank</b>	<b>← Non-Trading Book →</b>					<b>Trading book</b>	<b>Non-interest sensitive</b>	<b>Islamic banking window-related business</b>	<b>Total</b>
	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>				
<b>2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>									
Cash and short-term funds	906,812	-	-	-	-	-	-	19,532	926,344
Reverse repurchase agreement	18,985	-	-	-	-	-	-	-	18,985
Financial assets held-for-trading	-	-	-	-	-	841,621	-	27,847	869,468
Financial assets available-for-sale	69,234	292,400	259,384	30,855	-	-	-	-	651,873
Loans and advances	401,048	129,469	6,272	22,845	15,056	-	(299)	-	574,391
Derivative financial assets	-	-	-	-	-	455,939	-	-	455,939
Other assets	-	-	-	-	-	-	157,814	633	158,447
<b>Total Assets</b>	<b>1,396,079</b>	<b>421,869</b>	<b>265,656</b>	<b>53,700</b>	<b>15,056</b>	<b>1,297,560</b>	<b>157,515</b>	<b>48,012</b>	<b>3,655,447</b>

(Forward)

**The Bank**

←————— **Non-Trading Book** —————→

<b>2014</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Trading book RM'000</b>	<b>Non- interest sensitive RM'000</b>	<b>Islamic banking window- related business RM'000</b>	<b>Total RM'000</b>
<b>Liabilities</b>									
Deposits from customers	1,047,950	48,090	59,309	260,510	-	-	-	26,417	1,442,276
Deposits and placements of banks and other financial institutions	1,177,846	-	108,445	-	-	-	-	-	1,286,291
Derivative financial liabilities	-	-	-	-	-	290,807	-	-	290,807
Other liabilities	-	-	-	-	-	-	22,716	78	22,794
<b>Total Liabilities</b>	<b>2,225,796</b>	<b>48,090</b>	<b>167,754</b>	<b>260,510</b>	<b>-</b>	<b>290,807</b>	<b>22,716</b>	<b>26,495</b>	<b>3,042,168</b>
<b>Net interest rate gap</b>	<b>(829,717)</b>	<b>373,779</b>	<b>97,902</b>	<b>(206,810)</b>	<b>15,056</b>	<b>1,006,753</b>	<b>134,799</b>	<b>21,517</b>	<b>613,279</b>

**The Bank**

← **Non-Trading Book** →

<b>2013</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Trading book RM'000</b>	<b>Non- interest sensitive RM'000</b>	<b>Islamic banking window- related business RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>									
Cash and short-term funds	1,507,180	-	-	-	-	-	-	70,056	1,577,236
Financial assets									
held-for-trading	-	-	-	-	-	47,694	-	11,571	59,265
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
<b>Total Assets</b>	<b>1,722,609</b>	<b>161,840</b>	<b>345,792</b>	<b>111,952</b>	<b>93,342</b>	<b>264,429</b>	<b>25,479</b>	<b>103,544</b>	<b>2,828,987</b>

(Forward)

The Bank	← Non-Trading Book →					Trading book	Non-interest sensitive	Islamic banking window-related business	Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years				
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Liabilities</b>									
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
<b>Total Liabilities</b>	<b>1,585,058</b>	<b>77,683</b>	<b>62,477</b>	<b>269,417</b>	<b>-</b>	<b>162,410</b>	<b>20,154</b>	<b>79,673</b>	<b>2,256,872</b>
<b>Net interest rate gap</b>	137,551	84,157	283,315	(157,465)	93,342	102,019	5,325	23,871	572,115

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:

	2014		2013	
	MYR	USD	MYR	USD
<b>Financial Assets</b>	%	%	%	%
Cash and short-term funds	3.3134	-	3.0652	0.3700
Reverse purchase agreement	3.0000	-		
Financial assets available-for-sale	3.5146	-	3.2792	-
Financial assets held-for-trading	3.3655	-	3.1303	-
Loans and advances	4.6693	0.9512	4.1887	1.9167
<b>Financial Liabilities</b>				
Deposits from customers	3.1783	0.1712	3.0117	0.2778
Deposits and placements of banks and other financial institutions	-	0.1531	-	0.2378

(e) **Liquidity Risk**

Liquidity risk is the risk that the Bank is unable to meet its cash flow obligations as they fall due, such as upon the maturity of deposits and loan drawdowns.

The Assets and Liabilities Committee (“ALCO”) is primarily responsible for the strategic management of the Bank’s liquidity, the daily operations of which are carried out by the ALM Desk of the Treasury Department.

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with BNP Paribas Group worldwide, ALCO guidelines and Bank Negara Malaysia’s 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 incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

<b>The Bank 2014</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
Cash and short-term funds	926,344	-	-	-	-	-	926,344
Reverse repurchase agreement	18,985	-	-	-	-	-	18,985
Financial assets held-for-trading	608,252	93,293	50,826	109,918	7,179	-	869,468
Financial assets available-for-sale	69,234	292,400	259,384	30,855	-	-	651,873
Loan and advances	401,642	130,133	8,523	27,725	14,174	-	582,197
Other assets	-	-	-	-	-	158,447	158,447
<b>Total Assets</b>	<b>2,024,457</b>	<b>515,826</b>	<b>318,733</b>	<b>168,498</b>	<b>21,353</b>	<b>158,447</b>	<b>3,207,314</b>
<b>Liabilities</b>							
Deposits from customers	1,075,914	49,378	65,283	260,320	-	-	1,450,895
Deposits and placements of banks and other financial institutions	1,177,846	-	108,445	-	-	-	1,286,291
Other liabilities	-	-	-	-	-	22,794	22,794
<b>Total Liabilities</b>	<b>2,253,760</b>	<b>49,378</b>	<b>173,728</b>	<b>260,320</b>	<b>-</b>	<b>22,794</b>	<b>2,759,980</b>
Net Liquidity gap	(229,303)	466,448	145,005	(91,822)	21,353	135,653	447,334

(Forward)

<b>The Bank 2014</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Items not recognised in the statement of financial position</b>						
Financial guarantees	26,878	29,363	72,914	70,103	12,159	211,417
Net-settled derivatives	-	2,868	(1,076)	26,454	(1,435)	26,811
Gross-settled derivatives						
- Receipts	3,119,882	2,545,837	2,853,141	2,087,698	-	10,606,558
- Payments	(3,157,328)	(2,545,483)	(2,745,824)	(2,065,935)	-	(10,514,570)
	(37,446)	3,222	106,241	48,217	(1,435)	118,799

<b>The Bank 2013</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific Maturity RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>							
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
<b>Total Assets</b>	<b>1,794,735</b>	<b>217,712</b>	<b>384,825</b>	<b>175,690</b>	<b>55,965</b>	<b>32,965</b>	<b>2,661,892</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>1,664,512</b>	<b>79,682</b>	<b>68,645</b>	<b>277,193</b>	<b>-</b>	<b>20,868</b>	<b>2,110,900</b>
Net Liquidity gap	130,223	138,030	316,180	(101,503)	55,965	12,097	550,992

(Forward)

<b>The Bank 2013</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Items not recognised in the statement of financial position</b>						
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

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by the Bank. Financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty. If the repayment of a financial asset or liability is triggered by, or is subject to, specific criteria, such as market price hurdles being reached, the asset is included in the latest date on which it can be repaid regardless of early repayment, the liability is included at the earliest possible date that the conditions can be fulfilled without considering the probability of the conditions being met.

The contractual maturity of the financial assets and liabilities highlight the maturity transformation which underpins the role of banks to lend longer-term but funded predominantly by short-term liabilities such as customer deposits.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on contractual basis or period when it can legally be withdrawn. On a behavioural basis, the assets and liabilities cash flows may differ from contractual basis.

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.

<b>The Bank 2014</b>	<b>RM RM'000</b>	<b>USD RM'000</b>	<b>EUR RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>					
Cash and short-term funds	902,555	7,541	5,113	11,135	926,344
Reverse repurchase agreement	18,985	-	-	-	18,985
Financial assets held-for-trading	869,468	-	-	-	869,468
Financial assets available-for-sale	651,873	-	-	-	651,873
Loans and advances	437,547	137,143	-	-	574,690
Derivative financial assets	52,826	400,267	2,663	183	455,939
Other assets	131,664	26,729	45	9	158,447
<b>Total Assets</b>	<b>3,064,918</b>	<b>571,680</b>	<b>7,821</b>	<b>11,327</b>	<b>3,655,746</b>
<b>Liabilities</b>					
Deposits from customers	1,013,512	400,096	27,020	1,648	1,442,276
Deposits and placements of banks and other financial institutions	-	1,286,264	-	27	1,286,291
Derivative financial liabilities	32,380	250,424	7,847	156	290,807
Other liabilities	18,744	1,604	222	2,224	22,794
<b>Total Liabilities</b>	<b>1,064,636</b>	<b>1,938,388</b>	<b>35,089</b>	<b>4,055</b>	<b>3,042,168</b>
Currency gap	2,000,282	(1,366,708)	(27,268)	7,272	

<b>The Bank 2013</b>	<b>RM RM'000</b>	<b>USD RM'000</b>	<b>EUR RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>					
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
<b>Total Assets</b>	<b>2,393,411</b>	<b>401,534</b>	<b>17,078</b>	<b>22,934</b>	<b>2,834,957</b>
<b>Liabilities</b>					
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
<b>Total Liabilities</b>	<b>908,450</b>	<b>1,328,910</b>	<b>12,245</b>	<b>7,267</b>	<b>2,256,872</b>
Currency gap	1,484,961	(927,376)	4,833	15,667	

### 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:

	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>2014</b>					
<b>Financial Assets</b>					
Financial assets held-for-trading	869,468	869,468	869,468	-	-
Financial assets available-for-sale	651,873	651,873	511,466	140,407	-
Loans and advances*	574,391	574,391	-	-	574,391
Derivative financial assets	455,939	455,939	-	416,356	39,583
<b>Financial Liabilities</b>					
Deposits from customers*	1,442,276	1,440,352	-	-	1,440,352
Deposits and placements of banks and other financial institutions*	1,286,291	1,286,291	-	-	1,286,291
Derivative financial liabilities	290,807	290,807	-	271,966	18,841

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

	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>2013</b>					
<b>Financial Assets</b>					
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
<b>Financial Liabilities</b>					
Deposits from customers*	1,019,209	1,016,966	-	-	1,016,966
Deposits and placements of banks and other financial institutions	1,054,385	1,054,385	-	-	1,054,385
Derivative financial liabilities	162,410	162,410	-	151,297	11,113

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

**Reconciliation of movements in level 3 financial instruments**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Derivative Financial Assets</b>		
At 1 January	41,099	56,552
Loss recognised in profit or loss:		
Realised	-	(104)
Unrealised	(1,516)	(15,349)
	<u>39,583</u>	<u>41,099</u>
At 31 December	<u>39,583</u>	<u>41,099</u>
<b>Derivative Financial Liabilities</b>		
At 1 January	11,113	10,472
(Gains)/Loss recognised in profit or loss:		
Realised	-	(1,427)
Unrealised	7,728	2,068
	<u>18,841</u>	<u>11,113</u>
At 31 December	<u>18,841</u>	<u>11,113</u>

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) 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 instruments at the reporting date.

(iii) **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 cash flows.

(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) **Derivative financial instruments**

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

Company No. 918091 - T

Financial assets/ Financial liabilities	Fair Value as at 31.12.2014			Fair Value as at 31.12.2013			Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Assets (RM'000)	Liabilities (RM'000)	Hierarchy			
<b>Foreign exchange derivative</b>									
Currency forwards	73,945	3,763	Level 2	18,247	7,115	Level 2	Curve stripping which generates discount factors and forwards. Inputs are quoted market instruments.	N/A	N/A
Currency swap	280,923	227,672	Level 2	93,962	103,516	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 31.12.2014			Fair Value as at 31.12.2013			Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Assets (RM'000)	Liabilities (RM'000)	Hierarchy			
<b>Foreign exchange derivative</b>									
Currency options	17,879	2,989	Level 2	11,365	2,113	Level 2	Inputs are quoted market vanilla instruments and discount factors derived from curve stripping. Vanilla uses parameterised 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
<b>Interest rate derivative</b>									
Interest rate swaps	43,609	37,542	Level 2	52,062	38,553	Level 2	Curve stripping which generates discount factors and forwards. Inputs are quoted market instruments.	N/A	N/A

Financial assets/ Financial liabilities	Fair Value as at 31.12.2014			Fair Value as at 31.12.2013			Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Assets (RM'000)	Liabilities (RM'000)	Hierarchy	Assets (RM'000)	Liabilities (RM'000)	Hierarchy			
<b>Credit derivatives</b>									
Credit defaults swaps	39,583	18,841	Level 3	41,099	11,113	Level 3	Interpolation and extrapolation are flat forward hazard rate. Inputs are credit spreads, recoveries and interest rate curves obtained from quoted market instruments.	Credit spreads, recoveries and interest rate curves obtained from quoted market instruments.	Perform Market Adjustment Parameter review on first to default correlation using market observable quotes.
<b>Financial Assets</b>									
Held-for-trading	869,468	-	Level 1	59,265	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
Available-for-sale	511,466	-	Level 1	325,200	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
Available-for-sale	140,407	-	Level 2	225,565	-	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:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Tier-I capital</b>		
Paid-up share capital	601,920	601,920
Statutory reserve	24,366	-
Accumulated losses	<u>(16,739)</u>	<u>(16,749)</u>
	609,547	585,171
Less: Deferred tax assets	(384)	(6,464)
55% of cumulative gains of AFS financial instruments	(85)	(16)
Other disclosed reserves	<u>155</u>	<u>29</u>
Total Tier-I capital	<u>609,233</u>	<u>578,720</u>
<b>Tier-II capital</b>		
Collective assessment allowance	299	5,970
Regulatory reserve	<u>6,597</u>	<u>-</u>
Total Tier-II capital	<u>6,896</u>	<u>5,970</u>
Total Capital base	<u><u>616,129</u></u>	<u><u>584,690</u></u>
<b>Capital Ratios</b>		
Core capital ratio	25.279%	35.460%
Risk-weighted capital ratio	<u>25.566%</u>	<u>35.826%</u>

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

	2014		2013	
	Principal RM'000	Risk Weighted RM'000	Principal RM'000	Risk Weighted RM'000
Risk weight				
0%	1,508,521	-	1,801,706	-
20%	758,746	151,749	809,259	161,852
50%	134,084	67,042	187,699	93,849
100%	1,034,042	<u>1,034,042</u>	518,585	<u>518,585</u>
Credit risk		1,252,833		774,286
Market risk		1,020,669		767,866
Operational risk		<u>136,492</u>		<u>89,876</u>
Total risk-weighted assets		<u>2,409,994</u>		<u>1,632,028</u>

### 35. ISLAMIC BANKING WINDOW

The Bank launched its Islamic banking business under its Islamic Banking Window on 9 April 2012. The financial position as at 31 December 2014 and results for the financial year ended on this date under the Islamic Banking Window of the Bank are summarised as follows:

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

**ISLAMIC BANKING WINDOW**

**STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(a)	19,532	70,056
Financial assets held-for-trading	(b)	27,847	11,571
Financial assets available-for-sale	(c)	-	20,401
Other assets	(d)	633	1,516
Property, plant and equipment	(e)	8	15
Intangible assets	(f)	11	12
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>48,031</b>	<b>103,571</b>
		<hr/>	<hr/>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(g)	26,417	78,959
Other liabilities	(h)	78	714
Deferred tax liabilities	(i)	-	6
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>26,495</b>	<b>79,679</b>
		<hr/>	<hr/>
Capital fund		24,350	24,350
Accumulated losses		(2,814)	(476)
Reserve		-	18
		<hr/>	<hr/>
<b>Islamic banking funds</b>	(j)	<b>21,536</b>	<b>23,892</b>
		<hr/>	<hr/>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>48,031</b>	<b>103,571</b>
		<hr/>	<hr/>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>-</b>	<b>-</b>
		<hr/>	<hr/>

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

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

**ISLAMIC BANKING WINDOW**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
Total income derived from investment of Islamic banking funds and depositors' funds		515	665
Income derived from investment of Islamic banking funds and depositors' funds	(k)	515	665
Profit expense to depositors		(242)	(245)
Net income derived from investment of Islamic banking funds and depositors' funds		273	420
Other operating income	(l)	1,182	4,758
Operating expenses	(m)	(2,555)	(2,717)
Allowance for doubtful debt on other receivables	(d)	(1,238)	-
<b>(Loss)/Profit for the financial year before zakat and taxation</b>		(2,338)	2,461
Zakat		-	-
Income tax expense		-	-
<b>(Loss)/Profit for the financial year after zakat and income tax</b>		(2,338)	2,461
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequent to profit or loss:			
Net fair value gain on available-for-sale financial assets		-	16
Realised gain transferred to statement of comprehensive income on disposal of available-for-sale		(18)	-
<b>Other comprehensive (loss)/income, net of tax</b>		(18)	16
<b>Total comprehensive (loss)/profit for the year</b>		(2,356)	2,477

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 CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Capital fund RM'000</b>	<b>Revaluation reserve-available -for-sale securities RM'000</b>	<b>Accumulated losses RM'000</b>	<b>Total RM'000</b>
<b>Balance as of 1 January 2013</b>	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
<b>Balance as of 31 December 2013</b>	<u>24,350</u>	<u>18</u>	<u>(476)</u>	<u>23,892</u>
<b>Balance as of 1 January 2014</b>	24,350	18	(476)	23,892
Loss for the year	-	-	(2,338)	(2,338)
Realised gain transferred to statement of comprehensive income on disposal of available-for-sale	-	(18)	-	(18)
<b>Balance as of 31 December 2014</b>	<u>24,350</u>	<u>-</u>	<u>(2,814)</u>	<u>21,536</u>

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

<b>(a) CASH AND SHORT-TERM FUNDS</b>		
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost</b>		
Cash and balances with licensed banks	<u>19,532</u>	<u>70,056</u>
<b>(b) FINANCIAL ASSETS HELD-FOR-TRADING</b>		
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
Government securities:		
BNM Debt Securities	<u>27,847</u>	<u>11,571</u>
<b>(c) SECURITIES - AVAILABLE FOR SALE</b>		
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
Government securities:		
Malaysian Government Investment Issues	<u>-</u>	<u>20,401</u>
<b>(d) OTHER ASSETS</b>		
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposit and prepayments	1,871	1,516
Less: Allowance for doubtful debt on other receivables	<u>(1,238)</u>	<u>-</u>
	<u>633</u>	<u>1,516</u>

Movements of allowance for doubtful debt on other receivables are as follows:

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Individual impairment allowance</b>		
Balance as at 1 January	-	-
Add: Allowance made during the financial year	1,238	-
Less: Write back made during the financial year	-	-
	<hr/>	<hr/>
Balance as at 31 December	<u>1,238</u>	<u>-</u>

The other receivables of RM1,238,000 represent amount outstanding which are past due and impaired at the end of reporting period

(e) **PROPERTY, PLANT AND EQUIPMENT**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<u>Computer equipment:</u>		
<b>Cost</b>		
At beginning of year	22	-
Additions	-	22
	<hr/>	<hr/>
At end of year	<u>22</u>	<u>22</u>
<b>Accumulated Depreciation</b>		
At beginning of year	7	-
Charge for the year	7	7
	<hr/>	<hr/>
At end of year	<u>14</u>	<u>7</u>
<b>Net Book Value</b>		
At end of year	<u>8</u>	<u>15</u>

(f) **INTANGIBLE ASSETS**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<u>Computer Software:</u>		
<b>Cost</b>		
At 1 January	31	-
Additions	3	31
	<hr/>	<hr/>
At 31 December	34	31
	<hr/>	<hr/>
<b>Accumulated Depreciation</b>		
At 1 January	19	-
Amortisation for the year	4	19
	<hr/>	<hr/>
At 31 December	23	19
	<hr/>	<hr/>
<b>Net Book Value</b>	<b>11</b>	<b>12</b>
	<hr/>	<hr/>

(g) **DEPOSITS FROM CUSTOMERS**

**Type**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>At Amortised Cost:</b>		
<b>Non-Mudharabah Fund</b>		
Demand deposits	20,231	3,098
Commodity Murabahah	6,186	75,861
	<hr/>	<hr/>
	26,417	78,959
	<hr/>	<hr/>

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

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Due within six months	6,186	75,861
	<hr/>	<hr/>

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

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Business enterprise	944	291
Domestic non-bank financial institution	<u>25,473</u>	<u>78,668</u>
	<u>26,417</u>	<u>78,959</u>

(h) **OTHER LIABILITIES**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Other liabilities	<u>78</u>	<u>714</u>

(i) **DEFERRED TAX LIABILITIES**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 January/Date of incorporation	-	-
Recognised in other comprehensive income	<u>-</u>	<u>6</u>
At 31 December	<u>-</u>	<u>6</u>

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**

	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Capital fund:		
Balance as of 1 January	24,350	23,600
Capital reallocation	<u>-</u>	<u>750</u>
Balance as of 31 December	24,350	24,350
Revaluation reserve	-	18
Accumulated losses	<u>(2,814)</u>	<u>(476)</u>
	<u>21,536</u>	<u>23,892</u>

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

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Money at call and deposit placement with financial institutions	16	3
Financial assets held-for-trading	20	51
Financial assets available-for-sale	526	641
Amortisation of premium less accretion of discount	(47)	(30)
	<u>515</u>	<u>665</u>

(l) **OTHER OPERATING INCOME**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Fee income:		
Commissions	-	4
Other fee income	500	1,825
Net gain arising from sale of securities:		
Financial assets held-for-trading	440	222
Unrealised loss on revaluation of financial assets held-for-trading	2	-
Other income:		
Foreign exchange:		
Realised loss	(5)	-
Unrealised loss	(2)	-
Others	247	2,707
	<u>1,182</u>	<u>4,758</u>

(m) **OTHER OPERATING EXPENSES**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Personnel costs (Note i)	1,703	2,000
Establishment costs (Note ii)	310	398
Marketing expense (Note iii)	2	4
Administration and general expenses (Note iv)	540	315
	<u>2,555</u>	<u>2,717</u>

(i) **Personnel Costs**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Wages, salaries and bonuses	1,190	1,694
Defined contribution retirement plan	212	178
Social security cost	2	2
Other staff related expense	299	126
	<u>1,703</u>	<u>2,000</u>

(ii) **Establishment Costs**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Rental of premises	217	202
Amortisation of intangible assets	4	19
Depreciation of property, plant and equipment	7	7
Others	82	170
	<u>310</u>	<u>398</u>

(iii) **Marketing Expenses**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Other	<u>2</u>	<u>4</u>

(iv) **Administration and General Expenses**

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
Legal and professional fees	384	199
Others	<u>156</u>	<u>116</u>
	<u>540</u>	<u>315</u>

Included in administration and general expenses is the Shariah Committee's remuneration of RM263,250 (2013: RM170,750).

(n) **CAPITAL ADEQUACY**

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

	<b>2014</b> <b>RM'000</b>	<b>2013</b> <b>RM'000</b>
<b>Tier-I capital</b>		
Capital fund	24,350	24,350
Accumulated losses	<u>(2,814)</u>	<u>(476)</u>
	21,536	23,874
Less: 55% of cumulative gains of AFS instruments	-	(10)
Other disclosed reserves	<u>-</u>	<u>18</u>
Total Tier-I capital	<u>21,536</u>	<u>23,882</u>
<b>Tier-II capital</b>		
Collective assessment allowance	<u>-</u>	<u>-</u>
Total Tier-II capital	<u>-</u>	<u>-</u>
Total Capital base	<u>21,536</u>	<u>23,882</u>
<b>Capital Ratios</b>		
Core capital ratio	405.574%	129.430%
Risk-weighted capital ratio	<u>405.574%</u>	<u>129.430%</u>

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

	2014		2013	
	Principal RM'000	Risk Weighted RM'000	Principal RM'000	Risk Weighted RM'000
Risk weight				
0%	16,318	-	22,852	-
20%	-	-	65,650	13,130
100%	1,871	<u>1,871</u>	1,698	<u>1,698</u>
Credit risk		1,871		14,828
Market risk		888		972
Operational risk		<u>2,551</u>		<u>2,652</u>
Total risk-weighted assets		<u><u>5,310</u></u>		<u><u>18,452</u></u>

The following table represents the Islamic Banking Window's assets and liabilities at carrying amounts as of 31 December 2014:

<b>The Bank 2014</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Cash and short-term funds	19,532	-	-	-	-	19,532
Financial assets held-for-trading	-	27,847	-	-	-	27,847
Financial assets available-for-sale	-	-	-	-	-	-
<b>Total Assets</b>	<b>19,532</b>	<b>27,847</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,379</b>
<b>Liabilities</b>						
Deposits from customers	26,241	-	176	-	-	26,417
<b>Total Liabilities</b>	<b>26,241</b>	<b>-</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>26,417</b>
<b>Net liquidity gap</b>	<b>(6,709)</b>	<b>27,847</b>	<b>(176)</b>	<b>-</b>	<b>-</b>	<b>20,962</b>

<b>The Bank 2013</b>	<b>Up to 1 month RM'000</b>	<b>1 - 3 months RM'000</b>	<b>3 - 12 months RM'000</b>	<b>1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
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
<b>Total Assets</b>	<b>70,056</b>	<b>11,571</b>	<b>20,401</b>	<b>-</b>	<b>-</b>	<b>102,028</b>
<b>Liabilities</b>						
Deposits from customers	78,788	-	171	-	-	78,959
<b>Total Liabilities</b>	<b>78,788</b>	<b>-</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>78,959</b>
<b>Net liquidity gap</b>	<b>(8,732)</b>	<b>11,571</b>	<b>20,230</b>	<b>-</b>	<b>-</b>	<b>23,069</b>