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

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(In Ringgit Malaysia)

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The directors of **BNP PARIBAS MALAYSIA BERHAD** hereby submit their report and the audited financial statements of the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

On 4 June 2012, the Bank commenced operations of its Islamic banking business.

Other than as stated above, there have been no significant changes in the nature of the activities of the Bank during the financial year.

RESULTS OF OPERATIONS

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

	RM'000
Loss before tax	(17,301)
Income tax credit	3,523
Loss for the year	(13,778)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

As approved by the shareholder through a Member's Circular Resolution dated 2 April 2012, the issued and paid up capital of the Bank was increased from RM350,000,000 comprising 350,000,000 ordinary shares of RM1.00 each to RM441,920,000 comprising 441,920,000 ordinary shares of RM1.00 each by way of issuance of 91,920,000 new ordinary shares of RM1.00 each in the Bank at par for cash for capital expenditure and working capital purposes.

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

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

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As of the end of the financial year, there were no unissued shares of the Bank under options.

DIRECTORS' INTERESTS

None of the directors at the end of the financial year held shares or had beneficial interest in the shares of the Bank. Under the Bank's Articles of Association the directors are not required to hold any shares in the Bank.

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

	No. of ordinary shares of EUR2 each			
	Balance as of 1.1.2012/ date of appointment	**Bought**	**Sold**	**Balance as of 31.12.2012**
Shares in the ultimate holding company, BNP Paribas S.A.				
Direct interest:				
Dayakrishna Vaidynatha Chetti	1,495	700	-	2,195
Jean-Pierre Roger Beno Bernard	19,860	1,100	-	20,960
Yves Maurice Guy Marie Drieux (appointed on 25 September 2012)	896	1,100	-	1,996

	No. of employee share options			
	Balance as of 1.1.2012/ date of appointment	**Bought**	**Sold**	**Balance as of 31.12.2012**
Share options in the ultimate holding company, BNP Paribas S.A.				
Dayakrishna Vaidynatha Chetti	6,605	-	-	6,605
Jean-Pierre Roger Beno Bernard	41,692	-	-	41,692
Yves Maurice Guy Marie Drieux (appointed on 25 September 2012)	9,781	-	-	9,781

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

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

DIRECTORS' BENEFITS

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

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

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with including those as set out in the Guidelines on Financial Reporting for Financial Institution and the Guidelines on Classified and Impairment Provision for Loan/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 all known bad debts had been 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 render the amounts written off for bad debts or 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 liability 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 and 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 Malaysian Code of Corporate Governance 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 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.

Board Balance

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

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

Roles and Responsibilities of the Board

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

The Board meets at least once every two 2 months. During the financial year ended 31 December 2012, the Board met 8 times and the attendance at the Board meetings are as follows:-

Dato Abdullah Bin Mat Noh	7/8
Dayakrishna Vaidynatha Chetti	8/8
Halim Bin Haji Din	8/8
Jean-Pierre Roger Beno Bernard	8/8
Yves Maurice Guy Marie Drieux (appointed on 25 September 2012)	3/4

Board Committees

Board Risk Committee

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

The Board Risk Committee meets at least once every quarter. During the financial year ended 31 December 2012, the Board Risk Committee met five (5) times and the attendances at the Board Risk Committee meetings are as follows:

Dato Abdullah Bin Mat Noh	5/5
Jean-Pierre Roger Beno Bernard	5/5
Yves Maurice Guy Marie Drieux (appointed on 25 September 2012)	3/3

Nomination and Remuneration Committee

The Nomination and Remuneration 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 Committee also 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 Committee meets at least annually. During the financial year ended 31 December 2012, the Nomination Committee met three (3) times and the attendances at the Nomination Committee meetings are as follows:

Dato Abdullah Bin Mat Noh	3/3
Dayakrishna Vaidynatha Chetti	3/3
Halim Bin Haji Din	3/3
Jean-Pierre Roger Beno Bernard	3/3

The Remuneration Committee met one (1) time and the attendances at the Remuneration Committee meetings are as follows:

Halim Bin Haji Din	1/1
Jean-Pierre Roger Beno Bernard	1/1

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 2012, the Audit Committee met five (5) times and the attendance at the Audit Committee meetings is as follows:

Dato Abdullah Bin Mat Noh	5/5
Halim Bin Haji Din	5/5
Jean-Pierre Roger Beno Bernard	5/5
Yves Maurice Guy Marie Drieux (appointed on 25 September 2012)	2/3

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 2012

2012 was the first full year of operations for the Bank. Growth in our franchise was reflected in the successful onboarding of new clients that has set a strong foundation to build a sustainable flow and financing business.

In the year, the Bank has also been successful with deals in capital markets such as structured investments and debt capital market advisory. This was achieved despite a challenging environment, especially in the first half of 2012, with the Greek debt crisis causing volatility and uncertainties in the financial markets.

With an equity injection of RM92 million and the issuance of USD52 million tier-2 capital-qualifying subordinated debt, the BNP Paribas Group continues to show its commitment to Malaysia by exceeding regulatory capital requirements in times of global economic uncertainties.

At the Group level, BNP Paribas S.A. has completed the Adaptation Plan ahead of schedule and is in a strong capital and liquidity position. This enables the Group to optimize its resources and invest in areas of growth and development.

Outlook for 2013

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

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

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

BNP Paribas Malaysia 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.

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

With the increasing prominence of Islamic finance and Malaysia's position as an international Islamic financial centre, the Group has designated BNP Paribas Malaysia as its Islamic finance hub for the Asia-Pacific region.

In operations since mid-2012, BNP Paribas Malaysia Berhad's Najmah team has been involved in structuring, originating and marketing Shariah-compliant products to both domestic and regional clients and supporting the Group's Islamic banking activities across the region.

One of the strengths of BNP Paribas is the strength of our Group and network. By combining our local knowledge with global and regional expertise we benefit our clients and the economy.

BNP Paribas Group is today one of the best capitalised banks among its peers. BNP Paribas Malaysia Bhd is well positioned to be an active contributor to the Malaysia success story.

RATINGS BY AN EXTERNAL RATING AGENCY

Details of the Bank's rating are as follows:

Name of rating agency	Date of the rating	Rating received
RAM Rating Services Berhad ("RAM Ratings")	March 2012	Long term - AA2 Short term - P1 Outlook - Stable

Rating classification description

RAM Ratings has assigned respective long- and short-term financial institution ratings of AA2 and P1 to BNP Paribas Malaysia Berhad ("BNP Paribas Malaysia" or "the Bank"); the long-term rating has a stable outlook. The Bank is a wholly owned subsidiary of BNP Paribas S.A. ("BNP Paribas" or "the Group"); BNP Paribas is the world's second-largest provider of financial services, with an asset base valued at €2 trillion as at end-December 2011. Given that the Bank is a start-up company with no operating track record, the assigned ratings reflect BNP Paribas Malaysia's strong reliance on its parent in terms of resources, franchise and financial flexibility.

HOLDING COMPANY

The Bank is a wholly-owned subsidiary of BNP Paribas S.A., a financial institution incorporated in France, which is also regarded by the directors as the ultimate holding company of the Bank.

AUDITORS

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

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

DATO ABDULLAH BIN MAT NOH

DAYAKRISHNA VAIDYNATHA CHETTI

Kuala Lumpur,
22 May 2013

SHARIAH COMMITTEE'S REPORT

In the name of Allah, the Beneficent, the Merciful

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

We have reviewed the products, processes and transactional documents and contracts entered into and/or offered by BNP Paribas Malaysia Berhad ("the Bank") during the year ended 31 December 2012. The products and processes reviewed and endorsed by the Shariah Committee include but not limited to the Islamic Qard Current Account, Islamic Corporate Commodity Murabahah Deposits, Islamic Interbank Money Market products and several other products and processes, including transaction related documents.

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

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 to report to the member of the Bank.

An assessment of the work carried out by the Shariah officer and internal Shariah audit by way of examining the transactions and relevant documentations was not scheduled for the financial year due to the early stages of establishment of the Bank's Islamic banking window which was launched on 4 June 2012. This would be better suited and scheduled for the next financial year.

In our opinion:

The products and processes offered by the Bank during the year ended 31 December 2012 that we have reviewed and endorsed are in compliance with the Shariah principles.

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We, the members of Shariah Committee of the Bank, do hereby confirm that in our opinion, the products and processes of the Bank, to the best of its effort for the year ended 31 December 2012 are to the best of our knowledge, have been conducted in conformity with the Shariah principles.

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

PROF DATO' DR ABDUL MONIR BIN YAACOB
(Member)

ENCIK MUHAMMAD ALI JINNAH BIN AHMAD
(Member)

Deloitte

Deloitte KassimChan (AF 0080)
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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 2012 and the statement of 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 17 to 108.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, Bank Negara Malaysia Guidelines, 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 whether the financial statements are free from material misstatement.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards, Bank Negara Malaysia Guidelines, 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 Matters

(a) As stated in Note 2 to the financial statements, the Bank adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 13 October 2010 (date of incorporation). These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 October 2010 (date of incorporation) to 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Bank for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

(Forward)

(b) 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.

(c) The statutory financial statements of the Bank for the financial period 13 October 2010 (date of incorporation) to 31 December 2011 were audited by another firm of auditors. The report issued by the predecessor auditors, which was dated 2 May 2012, expressed an unqualified opinion.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

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

22 May 2013

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
ASSETS			
Cash and short-term funds	5	1,237,032	4,531
Deposits and placements with banks and other financial institutions	6	105,522	350,803
Financial assets held-for-trading	7	122,599	-
Financial assets available-for-sale	8	332,421	90,192
Loans and advances	9	17,870	24,647
Derivative financial assets	10	72,783	576
Statutory deposits with Bank Negara Malaysia	11	5,721	-
Other assets	12	7,132	3,595
Property, plant and equipment	13	5,458	6,287
Intangible assets	14	2,716	198
Deferred tax assets	15	7,816	4,304
TOTAL ASSETS		1,917,070	485,133
LIABILITIES AND SHAREHOLDER'S EQUITY			
Deposits from customers	16	1,136,566	145,180
Deposits and placements of banks and other financial institutions	17	172,366	465
Derivative financial liabilities	10	26,260	46
Other liabilities	18	13,277	10,255
Subordinated debt capital	19	161,238	-
Total liabilities		1,509,707	155,946
Share capital	20	441,920	350,000
Accumulated losses		(34,507)	(20,729)
Reserve	21	(50)	(84)
Shareholder's equity		407,363	329,187
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,917,070	485,133
COMMITMENTS AND CONTINGENCIES	31	7,292,348	360,343

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

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BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(With comparative figures for the period 13 October 2010 (date of incorporation) to 31 December 2011)

	Note	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Operating revenue		47,736	8,089
Interest income	22	31,690	6,717
Interest expenses	23	(24,237)	(691)
Net interest income		7,453	6,026
Net income from Islamic banking business	35	353	-
		7,806	6,026
Other operating income	24	16,046	1,372
Operating expenses	25	(41,255)	(32,028)
Write back of allowance for/(Allowance for) impairment on loans, advances and financing	26	102	(375)
Loss before tax		(17,301)	(25,005)
Income tax credit	27	3,523	4,276
Net loss for the financial year/period		(13,778)	(20,729)
Other comprehensive income/(loss):			
Net income/(loss) on revaluation of financial assets available-for-sale		45	(112)
Income tax relating to component of other comprehensive income/(loss)		(11)	28
Other comprehensive income/(loss), net of tax		34	(84)
Total comprehensive loss for the year/period		(13,744)	(20,813)

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 2012
(With comparative figures for the period 13 October 2010 (date of incorporation) to 31 December 2011)

	Note	Share capital RM'000	Statutory reserve RM'000	Fair value reserve-available -for-sale securities RM'000	Accumulated losses RM'000	Total RM'000
At date of incorporation		350,000	-	-	-	350,000
Loss for the period		-	-	-	(20,729)	(20,729)
Other comprehensive loss		-	-	(84)	-	(84)
Balance as of 31 December 2011		350,000	-	(84)	(20,729)	329,187
Balance as of 1 January 2012		350,000	-	(84)	(20,729)	329,187
Loss for the year		-	-	-	(13,778)	(13,778)
Other comprehensive loss		-	-	34	-	34
Issuance of shares	20	91,920	-	-	-	91,920
Balance as of 31 December 2012		441,920	-	(50)	(34,507)	407,363

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 2012
(With comparative figures for the period 13 October 2010 (date of incorporation) to 31 December 2011)

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before tax	(17,301)	(25,005)
Adjustments for:		
(Gain)/Loss on disposal of:		
Financial assets held-for-trading	1,972	-
Financial assets available-for-sale	(148)	-
Depreciation of property, plant and equipment	1,611	1,150
Unrealised (gain)/loss on foreign exchange	628	(5,555)
Amortisation of intangible assets	82	49
Unrealised gain on derivative financial instruments	(51,015)	(530)
(Write back of allowance for)/Allowance for impairment on loans, advances and financing	(102)	375
Unrealised gain on revaluation of financial assets held-for trading	(31)	-
Operating Loss Before Working Capital Changes	(64,304)	(29,516)
(Increase)/Decrease in:		
Financial assets held-for-trading	(124,540)	-
Financial assets available-for-sale	(242,036)	(90,304)
Loans and advances	6,879	(25,022)
Statutory deposits with Bank Negara Malaysia	(5,721)	-
Other assets	(3,537)	(3,595)
Increase in:		
Deposits from customers	991,386	150,735
Deposits and placements of banks and other financial institution	171,901	465
Derivative financial assets/liabilities	4,394	-
Other liabilities	3,022	10,255
Net Cash From Operating Activities	737,444	13,018

(Forward)

	Note	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(782)	(7,437)
Purchase of intangible assets		(2,600)	(247)
Net Cash Used In Investing Activities		(3,382)	(7,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares		91,920	-
Increase in subordinated debt capital		161,238	-
Net Cash From Financing Activities		253,158	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		987,220	5,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/AT DATE OF INCORPORATION		355,334	350,000
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		1,342,554	355,334
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and short term funds	5	1,237,032	4,531
Deposits and placements with banks and other financial institutions	6	105,522	350,803
		1,342,554	355,334

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 2012

1. GENERAL INFORMATION

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

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

On 4 June 2012, the Bank commenced operations of its Islamic banking business.

Other than as stated above, there have been no significant changes in the nature of the activities of the Bank during the financial year.

The registered office and the principal place of business of the Bank is located at Vista Tower, Level 48A, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur.

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 22 May 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The financial statements incorporate all activities relating to the Islamic banking business which have commenced operations during the year. Islamic banking business refer generally to the acceptance of deposits and granting of financing under the principles of Shariah.

2.1 Adoption of Malaysian Financial Reporting Standards

The Bank's financial statements for the financial year ended 31 December 2012 have been prepared in accordance with MFRSs for the first time. In the prior period, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, with the date of incorporation of 13 October 2010 as the date of transition. As the transition date is the date of incorporation of the Bank, the third statement of financial position required under MFRS 1 is not presented. The adoption of MFRSs has not affected the amounts reported in the financial statements of the Bank.

2.2 Standards and IC Interpretations in issue but not yet effective

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

MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)][1]
MFRS 7	Financial Instruments: Disclosures (Amendment relating to Disclosures – Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 11	Joint Arrangements[2]
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)[2]
MFRS 12	Disclosure of Interests in Other Entities[2]
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)[2]
MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[2]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[2]
MFRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[2]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle[2]

[1] Effective immediately on issuance date of 1 March 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on 1 March 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

The directors anticipate that the relevant Standards and IC Interpretations abovementioned will be adopted in the annual financial statements of Bank when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Bank in the period of initial application, except as discussed below.

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

The directors do not anticipate that the application of MFRS 132 and MFRS 7 will have significant effect on the Bank's financial statements.

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

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

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

Key requirements of MFRS 9 are described as follows:

- all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement 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 FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of MFRS 9 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.

In accordance with BNM Guideline on Financial Reporting for Banking Institutions (BNM/RH/GL 001-31), the Bank is not allowed to early apply MFRS 9 for financial years beginning before 1 January 2015.

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 Financial Instruments: Disclosures will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. The directors do not anticipate that the application of MFRS 119 will have a significant effect on the Bank's financial statements.

Amendments to MFRSs: Annual Improvements 2009 – 2011 Cycle

The Annual Improvements 2009 – 2011 Cycle include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 Presentation of Financial Statements;
- Amendments to MFRS 116 Property, Plant and Equipment; and
- Amendments to MFRS 132 Financial Instruments: Presentation.

Amendments to MFRS 101

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the Bank's financial statements.

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 Income Taxes. The directors anticipate that the amendments to MFRS 132 will have no effect on the Bank's financial statements as this treatment has already been adopted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loans and receivables

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

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

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

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

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

Securities

Categories of securities

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

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

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

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

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

Income earned on fixed-income securities classified into this category is shown under "Interest income" in statement of 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 comprehensive income.

(iv) Available-for-sale financial assets

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

Assets included in the available-for-sale category are initially recorded at fair value plus transaction costs where material. At the reporting date, they are remeasured at fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity, fair value reserve – available for sale securities. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the statement of 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 comprehensive income. Dividend income from variable-income securities is recognised under "Net gain/loss on available-for-sale financial assets" when the Bank's right to receive payment is established.

Date of recognition for securities transactions

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

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

Foreign currency transactions

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

Monetary assets and liabilities expressed in foreign currencies

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

Non-monetary assets and liabilities expressed in foreign currencies

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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.

Determination of fair value

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

Fair value is determined:

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

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

- Use of quoted prices in an active market

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

- Use of models to value unquoted financial instruments

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

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

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

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

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

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

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

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

The margin generated when these complex financial instruments are traded (day one profit) is deferred and taken to profit or loss over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to profit or loss.

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

Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- For a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of "Financial assets at fair value through profit or loss" and into:

  - "Loans and receivables" if the asset meets the definition for this category and the Bank has the intention and ability to hold the asset for the foreseeable future or until maturity; or

  - Other categories only under rare circumstances when justified and provided that the reclassified assets meet the conditions applicable to the host portfolio.

- Out of "Available-for-sale financial assets" and into:

  - "Loans and receivables" with the same conditions as set out above for "Financial assets at fair value through profit or loss;

  - "Held-to-maturity financial assets," for assets that have a maturity, or "Financial assets at cost," for unlisted variable-income assets.

Financial assets are reclassified at fair value, or at the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

After reclassification, assets are recognised according to the provisions applied to the host portfolio. The transfer price on the reclassification date is deemed to be the initial cost of the asset for the purpose of determining any impairment.

In the event of reclassification from "available-for-sale financial assets" to another category, gains or losses previously recognised through equity are amortised to profit or loss over the residual life of the instrument using the effective interest rate method.

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the financial asset's carrying amount.

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.

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

The depreciation is made at the following rates:

Office equipment	20%
Renovation and installation	6 years
Furniture, fixtures and fittings	20%
Computer equipment and hardware	20% - 33.33%

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

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

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

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

Lessee accounting

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

- Finance leases

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

- Operating leases

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

Employee benefits

- Short term benefits

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

- Defined contribution plans

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

- Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Provisions recorded under liabilities

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

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

Current and deferred tax

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

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

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

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

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

Statement of cash flows

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) Fair value of financial instruments

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

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

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

The Bank makes allowance for impairment on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, 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 creditor claims.

5. CASH AND SHORT-TERM FUNDS

	2012 RM'000	2011 RM'000
At amortised cost:		
Cash and balances with banks and other financial institutions	192,155	4,531
Money at call and deposit placements maturing within one month	1,044,877	-
	1,237,032	4,531

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2012 RM'000	2011 RM'000
At amortised cost:		
Licensed banks	90,206	350,803
Other financial institutions	15,316	-
	105,522	350,803

7. FINANCIAL ASSETS HELD-FOR-TRADING

	2012 RM'000	2011 RM'000
At Fair Value		
Government securities:		
Government Investment Issues	3,343	-
Malaysian Government Securities	20,008	-
Bank Negara Malaysia Debt Securities	99,248	-
	122,599	-

8. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2012 RM'000	2011 RM'000
At Fair Value		
Government securities:		
Malaysian Government Securities	31,593	-
Bank Negara Malaysia Debt Securities	107,372	-
Money market instrument:		
Negotiable Instruments of Deposit	193,456	-
At Cost		
Unquoted securities in Malaysia		
Private debt securities	-	90,192
	332,421	90,192

9. LOANS AND ADVANCES

	2012 RM'000	2011 RM'000
At Amortised Cost		
(i) By type		
Revolving credits	18,143	25,022
Less: Allowance for impaired loans and financing:		
Collective assessment allowance	(273)	(375)
Net loans, advances and financing	17,870	24,647
(ii) By type of customer		
Domestic business enterprise	18,143	25,022
(iii) By interest rate sensitivity		
Variable rate:		
Cost plus	18,143	25,022
(iv) By residual contractual maturity		
Maturity within one year	18,143	25,022

		2012 RM'000	2011 RM'000
(v)	**By geographical distribution**		
	In Malaysia	18,143	25,022
(vi)	**By Sector**		
	Electricity, gas and water	-	25,022
	Manufacturing	14,813	-
	Wholesale and retail	3,330	-
		18,143	25,022

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

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

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

	2012 RM'000	2011 RM'000
Collective Assessment Allowance		
Balance as at 1 January/Date of incorporation	375	-
Allowance made during the financial year/period	1,076	375
Write back made during the financial year/period	(1,178)	-
Balance as at 31 December	273	375
As % of gross loans, advances and financing less individual assessment allowance	1.50%	1.50%

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank 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 31 December 2012, the Bank has positions in the following types of derivatives:

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

As of 31 December 2011, the Bank has positions in the following types of derivatives:

	Notional RM'000	Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Currency forwards	14,869	100	(1)
Currency swaps	194,784	385	(45)
Interest rate contracts:			
Interest rate swaps	100,000	91	-
Total derivative assets/(liabilities)	309,653	576	(46)

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.

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 2012, the Bank has RM5,721,000 (2011: RMNil) statutory deposit with BNM.

12. OTHER ASSETS

	2012 RM'000	2011 RM'000
Collateral assets	4,565	-
Other receivables, deposits and prepayments	2,567	3,595
	7,132	3,595

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RM'000	Renovation and installation RM'000	Furniture, fixtures and fittings RM'000	Computer equipment and hardware RM'000	Total RM'000
2011					
Cost					
At date of incorporation	-	-	-	-	-
Additions	2,042	3,213	1,293	889	7,437
At end of period	2,042	3,213	1,293	889	7,437
2012					
Cost					
At beginning of year	2,042	3,213	1,293	889	7,437
Additions	8	266	77	431	782
Reclassification	(1,950)	-	-	1,950	-
At end of year	100	3,479	1,370	3,270	8,219

(Forward)

	Office equipment RM'000	Renovation and installation RM'000	Furniture, fixtures and fittings RM'000	Computer equipment and hardware RM'000	Total RM'000
2011					
Accumulated Depreciation					
At date of incorporation	-	-	-	-	-
Charge for the period	323	449	200	178	1,150
At end of period	323	449	200	178	1,150
2012					
Accumulated Depreciation					
At beginning of year	323	449	200	178	1,150
Charge for the year	19	567	270	755	1,611
Reclassification	(311)	-	-	311	-
At end of year	31	1,016	470	1,244	2,761
Net Book Value					
As of 31 December 2012	69	2,463	900	2,026	5,458
As of 31 December 2011	1,719	2,764	1,093	711	6,287

14. INTANGIBLE ASSETS

	2012 RM'000	2011 RM'000
Computer Software:		
Cost		
At 1 January/date of incorporation	247	-
Additions	-	247
At 31 December	247	247
Accumulated Depreciation		
At 1 January/date of incorporation	49	-
Amortisation for the year/period	82	49
At 31 December	131	49
Net Book Value	116	198
Interbank Giro license fees		
Cost		
At 1 January/date of incorporation	-	-
Additions	2,600	-
At 31 December	2,600	-
Accumulated Depreciation		
At 1 January/date of incorporation	-	-
Amortisation for the year/period	-	-
At 31 December	-	-
Net Book Value	2,600	-
Total Net Book Value	2,716	198

15. DEFERRED TAX ASSETS

	2012 RM'000	2011 RM'000
At 1 January/Date of incorporation	4,304	-
Recognised in profit or loss (Note 27)	3,523	4,276
Recognised in equity	(11)	28
At 31 December	7,816	4,304

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:

2011	Collective assessment allowance RM'000	Excess of depreciation over capital allowances RM'000	Financial assets available -for-sale RM'000	Provisions RM'000	Tax losses RM'000	Unrealised gain RM'000	Total RM'000
At incorporation	-	-	-	-	-	-	-
Recognised in profit or loss	94	(414)	-	594	4,002	-	4,276
Recognised in equity	-	-	28	-	-	-	28
At 31 December	94	(414)	28	594	4,002	-	4,304
2012							
At 1 January	94	(414)	28	594	4,002	-	4,304
Recognised in profit or loss	(26)	(518)	-	(11)	16,675	(12,597)	3,523
Recognised in equity	-	-	(11)	-	-	-	(11)
At 31 December	68	(932)	17	583	20,677	(12,597)	7,816

16. DEPOSITS FROM CUSTOMERS

	2012 RM'000	2011 RM'000
Type		
At Amortised Cost:		
Demand deposits	33,660	4,009
Fixed deposits	807,637	141,171
Collateral deposits	4,650	-
Structured deposits	286,619	-
Commodity Murabahah	4,000	-
	1,136,566	145,180

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

	2012 RM'000	2011 RM'000
Due within six months	849,947	145,180
Six months to one year	15,015	-
More than one year	271,604	-
	1,136,566	145,180

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

	2012 RM'000	2011 RM'000
Business enterprises	766,205	124,173
Domestic non-bank financial institutions	365,711	21,007
Licensed bank	4,650	-
	1,136,566	145,180

17. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2012 RM'000	2011 RM'000
At Amortised Cost:		
Other financial institutions	172,366	465

18. OTHER LIABILITIES

	2012 RM'000	2011 RM'000
Other payables	323	2,010
Accruals and charges	12,954	8,245
	13,277	10,255

19. SUBORDINATED DEBT CAPITAL

	2012 RM'000	2011 RM'000
At 1 January/date of incorporation	-	-
Addition during the period	159,094	-
Accrued interest	2,144	-
Subordinated debt during the year/period	161,238	-
Subordinated debt capital	161,238	-

On 3 April 2012, the Bank issued 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 is callable at the end of the fifth year.

At the same date, the Bank issued another 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 is callable at the end of the fifth year.

The Lower Tier 2 and Upper Tier 2 subordinated debt capital were subscribed by Societe Anonyme de Gestion, d'Investissements et de Participations "SAGIP S.A.", a financial institution incorporated in Belgium and wholly-owned subsidiary of BNP Paribas S.A.

20. SHARE CAPITAL

	2012 RM'000	2011 RM'000
Authorised:		
600,000,000 ordinary shares of RM1 each	600,000	600,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year/At date of incorporation	350,000	350,000
Created during the year/period	91,920	-
At end of year/period	441,920	350,000

As approved by the shareholder through a Member's Circular Resolution dated 2 April 2012, the issued and paid up capital of the Bank was increased from RM350,000,000 comprising 350,000,000 ordinary shares of RM1.00 each to RM441,920,000 comprising 441,920,000 ordinary shares of RM1.00 each by way of issuance of 91,920,000 new ordinary shares of RM1.00 each in the Bank at par for cash for capital expenditure and working capital purposes.

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

21. RESERVE

	2012 RM	2011 RM
Non-distributable:		
Unrealised reserve (Note a)	50	84

(a) **Unrealised reserve**

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

22. INTEREST INCOME

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Loans and advances	1,569	1,345
Money at call and deposit placements with financial institutions	18,430	4,527
Financial assets - Available-for-sale	6,603	845
Financial assets – Held-for-trading	5,367	-
	31,969	6,717
Amortisation of premium less accretion of discount	(279)	-
	31,690	6,717

23. INTEREST EXPENSE

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Deposits and placements from banks and other financial institutions	1,503	157
Deposits from customers	16,064	534
Subordinated debt capital	6,670	-
	24,237	691

24. OTHER OPERATING INCOME

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Fee income:		
Commissions	526	-
Guarantee fees	192	39
Other fee income	-	2
	718	41
Net gain/(loss) arising from sale of securities:		
Financial assets held-for-trading	(1,972)	-
Financial assets available-for-sale	148	-
Gain/(Loss) on derivatives trading:		
Realised	(28,527)	(2,973)
Unrealised	51,015	530
Unrealised gain/(loss) on revaluation of securities:		
Financial assets held-for-trading	31	(364)
Other income:		
Foreign exchange:		
Realised gain/(loss)	4,497	(1,417)
Unrealised gain/(loss)	(628)	5,555
Others	70	-
Other fees expenses	(9,306)	-
	16,046	1,372

25. OTHER OPERATING EXPENSES

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Personnel costs (Note a)	24,378	18,141
Establishment costs (Note b)	6,950	5,557
Marketing expenses (Note c)	801	1,677
Administration and general expenses (Note d)	9,126	6,653
	41,255	32,028

		Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
(a)	**Personnel costs**		
	Wages, salaries and bonuses	18,248	9,035
	Defined contribution retirement plan	3,086	1,378
	Social security cost	81	14
	Recruitment fees	1,636	6,924
	Other staff related expenses	1,327	790
		24,378	18,141
(b)	**Establishment costs**		
	Share of information technology costs	1,348	471
	Depreciation of property, plant and equipment	1,611	1,150
	Amortisation of intangible assets	82	49
	Rental of premises	1,594	1,149
	Others	2,315	2,738
		6,950	5,557
(c)	**Marketing expenses**		
	Advertising	177	1,112
	Others	624	565
		801	1,677
(d)	**Administration and general expenses**		
	Legal and professional fees	2,618	3,364
	Communication and transportation	747	430
	Others general expenses	5,761	2,859
		9,126	6,653

Included in the above expenditure are the following statutory disclosures:

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Directors' remuneration	2,576	2,470
Auditors' remuneration:		
Audit fees	210	85

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM1,613,000 (RM1,803,000 in 2011).

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

	Salary and other remuneration RM'000	Fees RM'000	Bonuses RM'000	Benefits -in-kind RM'000	Total RM'000
2012					
Managing Director/ Executive Director	900	-	500	376	1,776
Non-executive directors	-	800	-	-	800
	900	800	500	376	2,576
2011					
Managing Director/ Executive Director	909	-	639	255	1,803
Non-executive directors	-	667	-	-	667
	909	667	639	255	2,470

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 Directors' Report.

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

	2012 RM'000	2011 RM'000
Executive Directors		
Above RM500,000	1	1
RM300,000 – RM500,000	-	-
RM100,000 – RM299,000	-	-
	1	1
Non – Executive Directors		
Above RM100,000	2	2
RM50,000 – RM100,000	-	-
RM1 – RM49,999	-	-
	2	2

26. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Allowance for losses on loans and advances:		
Collective Assessment allowance:		
- Made in the financial year/period	1,076	375
- Written back in the financial year	(1,178)	-
	(102)	375

27. INCOME TAX CREDIT

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Deferred tax credit (Note 15):		
Relating to origination and reversal of temporary differences	3,523	4,276

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

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Loss before tax	(17,301)	(25,005)
Taxation at Malaysian statutory tax rate of 25%	(4,325)	(6,251)
Expenses not deductible for tax purposes	802	1,975
Tax credit for the year/period	(3,523)	(4,276)

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 before the directors as ultimate holding company of the Bank.

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

Name of related parties	**Relationship**
BNP Paribas, 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 Investment Partners, Malaysia	Fellow subsidiary
BNP Paribas Investment Partners Najmah, Malaysia	Fellow subsidiary

Significant transactions undertaken by the Bank with related companies are as follows:

	Year ended 31 December 2012 RM'000	Period ended 31 December 2011 RM'000
Income:		
Interest on current deposit	19	-
Interest on fixed deposit	-	4
Interest on cash and short term funds	1,862	-
Interest from deposits and placements with banks and other financial institutions	73	-
Expense:		
Interest on current deposit	70	9
Interest on fixed deposit	57	37
Interest on Murabahah deposit	22	-
Share of group and information technology costs	1,348	471
Interest on deposits and placements of banks and other financial institutions	885	-

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

2011	**Ultimate holding company RM'000**	**Related parties RM'000**
Assets		
Current deposits	-	21,286
Cash and short-term funds	1,174	689
	1,174	21,975
Liabilities		
Demand deposits	7	-
Fixed deposits	1,000	-
Deposits and placements with banks and other financial institutions	-	465
	1,007	465

Compensation of key management personnel:

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

	2012 RM'000	2011 RM'000
Salaries and other short-term employee benefits	2,804	2,113
Post-employment benefits:		
Defined contribution plan	57	340
	2,861	2,453

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

29. OPERATING LEASE ARRANGEMENTS

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

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

	2012 RM'000	2011 RM'000
Future minimum rental payments:		
Not later than 1 year	1,539	1,539
Later than 1 year and not later than 5 years	4,874	6,413
	6,413	7,952

30. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	2012 RM'000	2011 RM'000
Outstanding credit exposures with connected parties	161,376	29,282
Total credit exposures	1,190,381	217,148
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	13.56%	13.48%
- as a proportion of capital base	28.87%	9%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

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

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

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

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

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

31. COMMITMENTS AND CONTINGENCIES

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

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

	2012			2011		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000
Direct credit substitutes	129,173	129,173	129,173	35,075	35,075	35,075
Transaction-related contingent items	4,500	2,250	1,125	-	-	-
Short-term self-liquidating trade-related contingencies	404	81	16	5,668	1,134	1,134
Irrevocable commitments to extend credit:						
maturity more than one year	-	-	-	9,947	1,989	1,989
Foreign exchange related contracts:						
one year or less	2,044,660	36,568	15,102	209,653	1,776	389
over one year to five years	275,907	20,556	13,443	-	-	-

(Forward)

	2012			2011		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000
Interest rate related contracts:						
over one year to five years	2,628,491	87,949	41,654	100,000	2,000	400
over five years	50,000	4,500	2,250	-	-	-
Credit Derivative Contracts:						
one year or less	27,115	897	823	-	-	-
over one year to five years	2,132,098	134,374	44,343	-	-	-
	7,292,348	416,348	247,929	360,343	41,974	38,987

* 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 SA Group policies. These practices rely on constant communications, judgement and knowledge of products and markets by the people closest to them, combined with regular oversight by a central risk management group and senior management.

(a) Operational Risk

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

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

Operational risk encompasses human resources risks, legal risks, tax risks, information system risks, misprocessing risks, risks related to published financial information and the financial implications resulting from reputation and compliance risks.

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

(b) Credit Risk

Credit risk is the risk of incurring a loss on loans and receivables (existing or potential due to commitments given) resulting from a change in the credit quality of the Bank's debtors, 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	2012 RM'000	2011 RM'000
Assets			
Cash and short-term funds	5	1,237,032	4,531
Deposits and placements with banks and other financial institutions	6	105,522	350,803
Financial assets held-for-trading	7	122,599	-
Financial assets available-for-sale	8	332,421	90,192
Loans and advances	9	18,143	25,022
Derivative financial assets	10	72,783	576
Other assets	12	7,132	3,595
Total assets		1,895,632	474,719
Commitments and contingencies	31	416,348	41,974
Total credit exposure		2,311,980	516,693

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

Where financial instruments are recorded by 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 2012.

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

* Excludes collective assessment allowance amounting to RM273,000.

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

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

(Forward)

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

* Excludes collective assessment allowance amounting to RM273,000.

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

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

The following tables represent the Bank's credit risk concentrations as of 31 December 2011.

	Cash and short-term funds RM'000	Deposits and placements with licensed banks RM'000	Derivative financial assets RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by industry sectors								
Government and central banks	773	290,000	-	-	-	-	290,773	-
Electricity, gas & water	-	-	-	-	25,022	-	25,022	-
Manufacturing	-	-	19	-	-	-	19	42
Finance, insurance and business services	3,758	60,803	557	90,192	-	3,595	158,905	41,932
	4,531	350,803	576	90,192	25,022	3,595	474,719	41,974

* Excludes collective assessment allowance amounting to RM375,000.

** Other assets exclude tax recoverable, deferred tax assets, fixed assets and statutory deposits with Bank Negara Malaysia.

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

	Cash and short-term funds RM'000	Deposits and placements with licensed banks RM'000	Derivative financial assets RM'000	Financial assets available-for-sale RM'000	Loans and advances* RM'000	Other assets** RM'000	On balance sheet total RM'000	Commitments and contingencies RM'000
Concentration risk by geographical sectors								
Malaysia	2,598	329,517	576	90,192	25,022	3,595	451,500	41,974
France	1,174	-	-	-	-	-	1,174	-
United Kingdom	343	-	-	-	-	-	343	-
Singapore	52	21,286	-	-	-	-	21,338	-
Hong Kong	1	-	-	-	-	-	1	-
Others	363	-	-	-	-	-	363	-
	4,531	350,803	576	90,192	25,022	3,595	474,719	41,974

* Excludes collective assessment allowance amounting to RM375,000.

** Other assets exclude tax recoverable, deferred tax assets, fixed assets and statutory deposits with Bank Negara Malaysia.

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

Gross loans, advances and financing are analysed as follows:

	2012 RM'000	2011 RM'000
Neither past due nor impaired	18,143	25,022
Less: Allowance for impaired loans and advances		
- Collective assessment allowance	(273)	(375)
	17,870	24,647

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:

	2012 RM'000	2011 RM'000
BNP Paribas Ratings		
4+ Above Average	14,813	25,022
5+ Above Average	3,330	-
	18,143	25,022

Credit quality of financial assets

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

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

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

	Available-for-sale			
	Private debt securities RM'000	Malaysian government treasury bills and securities RM'000	Negotiable Instruments of deposit RM'000	Total RM'000
2011				
AA	90,192	-	-	90,192

Financial effects of collaterals

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

(c) Market Risk

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

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

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analysis, as confirmed by market information.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The Bank's primary tool for the systematic measuring and monitoring of market risk is the Value at Risk ("VaR") calculation, which is measured and monitored at the regional level by lines of businesses. VaR is an estimate of the expected loss in the value of the various regional lines of businesses' activities, where the Bank's activities are rolled up into, over a one-day time horizon. VaR allows for a consistent and uniform measure of market risk across all applicable products and activities. To calculate VaR, the Bank uses historical simulation, which measures risk across instruments and portfolios in a consistent and comparable way. This approach assumes that historical changes in market values are representative of future changes. The simulation is based upon date for the previous twelve months.

Besides VaR, other non-statistical limits such as basis point value and net open positions are used as market risk tools to limit the risk to which the businesses can be exposed to.

The VaR of the Bank at the end of the financial year, based on one-day time horizon and at 99% confidence level, is RM2,444,935 (RM219,617 in 2011). 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.

	2012 **RM'mil**	**2011** **RM'mil**
Aggregate VaR	2.44	0.22

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

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

(d) Interest Rate Risk

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

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

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

The Bank

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

(Forward)

The Bank

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

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2011.

The Bank	Non-Trading Book							
2011	**Up to 1 month RM'000**	**1 – 3 months RM'000**	**3 – 12 months RM'000**	**1 – 5 Years RM'000**	**Over 5 years RM'000**	**Trading book RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**
Assets								
Cash and short-term funds	4,531	-	-	-	-	-	-	4,531
Deposits and placements with banks and other financial institutions	350,803	-	-	-	-	-	-	350,803
Financial assets available-for-sale	90,192	-	-	-	-	-	-	90,192
Loans and advances	25,022	-	-	-	-	-	(375)	24,647
Derivative financial assets	-	-	-	-	-	576	-	576
Other assets	3,595	-	-	-	-	-	-	3,595
Total Assets	474,143	-	-	-	-	576	(375)	474,344

(Forward)

The Bank

2011	Up to 1 month RM	1 – 3 months RM	3 – 12 months RM	1 – 5 years RM	Over 5 years RM	Trading book RM	Non-interest sensitive RM	Total RM
	← Non-Trading Book				→			
Liabilities								
Deposits from customers	125,180	20,000	-	-	-	-	-	145,180
Deposits and placements from banks and other financial institutions	465	-	-	-	-	-	-	465
Derivative financial liabilities	-	-	-	-	-	46	-	46
Other liabilities	2,010	1,854	6,391	-	-	-	-	10,255
Total Liabilities	127,655	21,854	6,391	-	-	46	-	155,946
Net interest rate gap	346,488	(21,854)	(6,391)	-	-	530	(375)	318,398

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.

	2012					2011			
	MYR	USD	EUR	HKD	SGD	MYR	USD	GBP	SGD
	%	%	%	%	%	%	%	%	%
Financial Assets									
Cash and short-term funds	3.0464	0.4096	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	3.1000	0.0100	-	-	-	3.0424	0.2000	-	-
Financial assets available-for-sale	3.1548	-	-	-	-	3.0967	-	-	-
Loans and advances	3.8585	-	-	-	-	3.8700	-	-	-
Financial assets held-for-trading	3.1784	-	-	-	-	-	-	-	-
Financial Liabilities									
Deposits from customers	3.0068	0.4500	0.0400	-	-	3.0442	0.5952	-	-
Deposits and placements of banks and other financial institutions	-	0.2500	-	0.5000	0.1500	-	-	1.3000	0.3800
Subordinated debt capital	-	5.39	-	-	-	-	-	-	-

(e) Liquidity Risk

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

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

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with BNP Paribas Group worldwide, ALCO guidelines and Bank Negara Malaysia's New Liquidity Framework.

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

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

The Bank 2012	**Up to 1 month RM**	**1 - 3 months RM**	**3 - 12 months RM**	**1 - 5 years RM**	**Over 5 years RM**	**Total RM**
Assets						
Cash and short-term funds	1,237,032	-	-	-	-	1,237,032
Deposits and placements with banks and other financial institutions	-	90,206	15,316	-	-	105,522
Financial assets held-for-trading	-	-	99,248	9,461	13,890	122,599
Financial assets available-for-sale	152,391	148,437	-	31,593	-	332,421
Loan and advances	18,143	-	-	-	-	18,143
Total Assets	1,407,566	238,643	114,564	41,054	13,890	1,815,717
Liabilities						
Deposits from customers	799,112	29	65,821	271,604	-	1,136,566
Deposits and placements of banks and other financial institutions	172,366	-	-	-	-	172,366
Subordinated debt capital	2,144	-	-	-	159,094	161,238
Total Liabilities	973,622	29	65,821	271,604	159,094	1,470,170
Net Liquidity gap	433,944	258,614	48,743	(230,550)	(145,204)	345,547

(Forward)

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

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2011.

The Bank 2011	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Assets						
Cash and short-term funds	4,531	-	-	-	-	4,531
Deposits and placements with bank and other financial institutions	351,024	-	-	-	-	351,024
Financial assets available-for-sale	90,420	-	-	-	-	90,420
Total Assets	445,975	-	-	-	-	445,975
Liabilities						
Deposits from customers	125,180	20,153	-	-	-	145,333
Deposits and placements of banks and other financial institutions	466	-	-	-	-	466
Other liabilities	2,000	-	-	-	-	2,000
Total Liabilities	127,646	20,153	-	-	-	147,799
Net Liquidity gap	318,329	(20,153)	-	-	-	298,176

(Forward)

The Bank 2011	**Up to 1 month RM'000**	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Items not recognised in the statements of financial position						
Financial guarantees	40,744	-	-	-	-	40,744
Credit related commitments and contingencies	9,947	-	-	-	-	9,947
	50,691	-	-	-	-	50,691
Net-settled derivatives	-	(22)	35	149	-	162
Gross-settled derivatives						
- Receipts	208,341	838	972	-	-	210,151
- Payments	(208,095)	(589)	(969)	-	-	(209,653)
	246	227	38	149	-	660

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

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

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

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

(f) **Currency Risk**

Currency risk is the risk to earnings and value of financial instruments caused by the fluctuations in foreign exchange rates. It is managed in conjunction with market risk.

The table below sets out the Bank's exposure to currency risk. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency.

The Bank

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

The Bank
2011

	RM RM'000	USD RM'000	EUR RM'000	Others RM'000	Total RM'000
Assets					
Cash and short-term funds	2,598	187	1,176	570	4,531
Deposits and placements with banks and other financial institutions	329,517	21,286	-	-	350,803
Derivative financial assets	91	474	-	11	576
Financial assets available-for-sale	90,192	-	-	-	90,192
Loans and advances	24,647	-	-	-	24,647
Other assets	3,595	-	-	-	3,595
Total Assets	450,640	21,947	1,176	581	474,344
Liabilities					
Deposits from customers	75,640	67,082	2,458	-	145,180
Deposits and placements of banks and other financial institutions	-	-	-	465	465
Derivative financial liabilities	-	46	-	-	46
Other liabilities	9,705	520	30	-	10,255
Total Liabilities	85,345	67,648	2,488	465	155,946
Currency gap	365,295	(45,701)	(1,312)	116	

33. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying values and fair values of financial assets and liabilities of the Bank.

	Bank			
	2012		2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial Assets				
Cash and short-term funds	1,237,032	1,237,032	4,531	4,531
Deposits and placements with other financial institutions	105,522	105,522	350,803	350,803
Derivatives financial assets	72,783	72,783	576	576
Securities held-for-trading	122,599	122,599	-	-
Securities available-for-sale	332,421	332,421	90,192	90,192
Loans, advances and financing	17,870	17,870	24,647	24,647
Statutory deposits with Bank Negara Malaysia	5,721	5,721	-	-
	1,893,948	1,893,948	470,749	470,749

	Bank			
	2012		2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial Liabilities				
Deposits from customers	1,136,566	1,136,566	145,180	145,180
Deposits and placements from banks and other financial institutions	172,366	172,366	465	465
Derivative financial liabilities	26,260	26,260	46	46
Subordinated debt capital	161,238	161,238	-	-
	1,496,430	1,496,430	145,691	145,691

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

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

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

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

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

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

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

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

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

The estimated fair value is based on quoted and observable market prices at the reporting date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flows techniques. Where discounted cash flows technique is used, the estimated future cash flows are discounted based on current market rates for similar instrument at the reporting date.

(iv) **Loans and advances**

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on discounted future cash flows of contractual instalment payments. In respect of nonperforming loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

(v) **Statutory deposit with BNM**

Statutory deposit with BNM is stated at carrying amount.

(vi) **Deposits from customers**

Deposits from customers are valued at carrying amounts for all amounts on demand and below one year, while deposits over one year have been valued at discounted cashflows.

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

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

(viii) **Subordinated debt capital**

The estimated fair value is based on observable market prices at the reporting date. Where such observable market prices are not available, fair value is estimated using pricing models or discounted cash flows techniques. Where discounted cash flows technique is used, the estimated future cash flows are discounted based on current market rates for similar instrument at the reporting date.

(ix) **Derivative financial instruments**

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

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2012			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	-	72,783	-	72,783
Financial assets held-for-trading	-	122,599	-	122,599
Financial assets available-for-sale	-	332,421	-	332,421
Total	-	527,803	-	527,803
Financial liabilities at FVTPL				
Derivative financial liabilities	-	26,260	-	26,260
Total	-	26,260	-	26,260

	2011			
	Level 1 RM	**Level 2 RM**	**Level 3 RM**	**Total RM**
Financial assets at FVTPL				
Derivative financial assets	-	576	-	576
Financial assets available-for-sale	-	90,192	-	90,192
Total	-	90,768	-	90,768
Financial liabilities at FVTPL				
Derivative financial liabilities	-	46	-	46
Total	-	46	-	46

There were no transfers between levels 1 and 2 during the year.

34. CAPITAL ADEQUACY

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

	2012 RM'000	2011 RM'000
Tier-I capital		
Paid-up share capital	441,920	350,000
Accumulated losses	(34,507)	(20,729)
	407,413	329,271
Less: Deferred tax assets	(7,816)	(4,304)
Total Tier-I capital	399,597	324,967
Tier-II capital		
Collective assessment allowance	273	375
Subordinated debt capital	159,094	-
Total Tier-II capital	159,367	375
Total Capital base	558,964	325,342
Capital Ratios		
Core capital ratio	37.99%	147.90%
Risk-weighted capital ratio	53.14%	148.07%

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

	2012		2011	
		Risk		**Risk**
	Principal	**Weighted**	**Principal**	**Weighted**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Risk weight				
0%	733,695	-	290,773	-
20%	864,664	172,933	159,043	31,809
50%	165,970	82,985	-	-
100%	183,823	183,823	77,290	77,290
Credit risk		439,741		109,099
Market risk		545,478		97,182
Operational risk		66,563		13,459
Total risk-weighted assets		1,051,782		219,740

35. ISLAMIC BANKING BUSINESS

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS - (CON'T)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2012

	Note	2012 RM'000
ASSETS		
Cash and short-term funds	(a)	5,400
Financial assets available-for-sale	(b)	18,957
Other assets	(c)	3,648
TOTAL ASSETS		28,005
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits from customers	(d)	6,976
Other liabilities	(e)	364
Total liabilities		7,340
Capital fund		23,600
Accumulated losses		(2,937)
Reserve		2
Islamic banking funds	(f)	20,665
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		28,005
COMMITMENTS AND CONTINGENCIES		-

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS - (CON'T)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 4 JUNE 2012 TO 31 DECEMBER 2012

	Note	Period ended 31 December 2012 RM'000
Total income derived from investment of Islamic banking funds and depositors' funds		385
Income derived from investment of Islamic banking funds and depositors' funds	(g)	385
Profit expense to depositors		(32)
Net income derived from investment of Islamic banking funds and depositors' funds		353
Operating expenses	(h)	(3,290)
Loss for the financial period before zakat and taxation		(2,937)
Zakat		-
Income tax expense		-
Loss for the financial period after zakat and income tax		(2,937)
Other comprehensive income:		
Net loss on revaluation of financial assets available-for-sale		3
Income tax relating to component of other comprehensive income		(1)
Other comprehensive income, net of tax		2
Total comprehensive loss for the period		(2,935)

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

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

ISLAMIC BANKING BUSINESS - (CON'T)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 4 JUNE 2012 TO 31 DECEMBER 2012

	Capital fund RM'000	Fair value reserve-available -for-sale securities RM'000	Accumulated losses RM'000	Total RM'000
At of 4 June 2012	20,000	-	-	20,000
Loss for the period	-	-	(2,937)	(2,937)
Other comprehensive income	-	2	-	2
Capital reallocation	3,600	-	-	3,600
Balance as of 31 December 2012	23,600	2	(2,937)	20,665

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

BNM had given its approval on 4 June 2012 for the Bank to conduct Islamic banking business under Section 124 of the Banking and Financial Institutions Act 1989.

Shariah Committee

The Shariah Committee was established under BNM's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its Islamic business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles.

The committee comprises Prof Dato' Dr Mohd Ali bin Hj Baharum, Prof Dato' Dr Abdul Monir bin Yaacob and Encik Muhammad Ali Jinnah bin Ahmad.

Islamic banking business refers generally to the acceptance of deposit and granting of financing under the principles of Shariah.

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

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

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

	2012
	RM'000
At Fair Value	
Government securities:	
BNM Debt Securities	18,957

(c) **OTHER ASSETS**

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

(d) DEPOSITS FROM CUSTOMERS

Type

	2012 RM'000
Non-Mudharabah Fund	
Demand deposits	2,976
Commodity Murabahah	4,000
	6,976

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

	2012 RM'000
Due within six months	6,976

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

	2012 RM'000
Business enterprise	1,395
Domestic non-bank financial institution	5,581
	6,976

(e) OTHER LIABILITIES

	2012 RM'000
Other liabilities	364

(f) ISLAMIC BANKING FUNDS

	2012 RM'000
Capital fund:	
Issued and duly paid	20,000
Capital reallocation	3,600
Balance as of 31 December	23,600
Fair value reserve	2
Accumulated losses	(2,937)
	20,665

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

	Period ended 31 December 2012 RM'000
Money at call and deposit placement with financial institutions	253
Financial assets available-for-sale	132
	385

(h) OTHER OPERATING EXPENSES

	Period ended 31 December 2012 RM'000
Personnel costs (Note i)	1,778
Establishment costs (Note ii)	449
Marketing expense (Note iii)	35
Administration and general expenses (Note iv)	1,028
	3,290

(i) Personnel Costs

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

(ii) **Establishment Costs**

	Period ended 31 December 2012 RM'000
Depreciation of property, plant and equipment	171
Amortisation of intangible asset	9
Rental of premises	206
Others	63
	449

(iii) **Marketing Expenses**

	Period ended 31 December 2012 RM'000
Advertising	17
Other	18
	35

(iv) **Administration and General Expenses**

	Period ended 31 December 2012 RM'000
Legal and professional fees	810
Communication and transportation	120
Others	98
	1,028

Included in administration and general expenses is the Syariah Committee's remuneration of RM168,750.

(i) CAPITAL ADEQUACY

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

	2012 RM'000
Tier-I capital	
Capital fund	23,600
Accumulated losses	(2,937)
	20,663
Total Tier-I capital	20,663
Tier-II capital	
Collective assessment allowance	-
Subordinated debt capital	-
Total Tier-II capital	-
Total Capital base	20,663
Capital Ratios	
Core capital ratio	307.67%
Risk-weighted capital ratio	307.67%

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

	2012	
	Principal RM'000	**Risk Weighted RM'000**
Risk weight		
0%	21,905	-
100%	3,648	3,648
Credit risk		3,648
Market risk		2,453
Operational risk		615
Total risk-weighted assets		6,716

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

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

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **BNP PARIBAS MALAYSIA BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, Bank Negara Malaysia Guidelines, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 December 2012 and of the financial performance and the cash flows of the Bank for the year ended on that date.

Signed in accordance
with a resolution of the Directors,

DATO ABDULLAH BIN MAT NOH

DAYAKRISHNA VAIDYNATHA CHETTI

Kuala Lumpur,
22 May 2013

Company No. 918091 - T

BNP PARIBAS MALAYSIA BERHAD
(Incorporated in Malaysia)

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **DAYAKRISHNA VAIDYNATHA CHETTI**, the director primarily responsible for the financial management of **BNP PARIBAS MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true , and by virtue of the provisions of the Statutory Declarations Act, 1960.

DAYAKRISHNA VAIDYNATHA CHETTI

Subscribed and solemnly declared by the abovenamed **DAYAKRISHNA VAIDYNATHA CHETTI** at **KUALA LUMPUR** this 22th of May 2013.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W 350
SHAFIE B. DAUD
MALAYSIA

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