

Company No.

911666	D
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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

Company No.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	<u>Note</u>	<u>30.6.2014</u> RM'000	<u>31.12.2013</u> RM'000
ASSETS			
Cash and short-term funds	15	124,094	216,096
Deposits and placements with banks and other financial institutions	16	266,661	180,466
Financial investments available-for-sale	17	-	-
Financial investments held-to-maturity	18	20,137	10,176
Loans, advances and financing	19	43,965	40,817
Derivative assets	21	57	-
Other assets	22	484	410
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		3,716	4,316
Intangible assets		7,795	9,011
TOTAL ASSETS		<u>467,009</u>	<u>461,392</u>
LIABILITIES AND EQUITY			
Deposits from customers	23	152,374	145,281
Deposits and placements of banks and other financial institutions		-	-
Bills and acceptances payable		-	-
Derivative liabilities	24	-	83
Other liabilities	25	5,444	2,473
TOTAL LIABILITIES		<u>157,818</u>	<u>147,837</u>
Share capital		320,000	320,000
Accumulated losses		(10,809)	(6,445)
TOTAL EQUITY OF SHAREHOLDERS		<u>309,191</u>	<u>313,555</u>
TOTAL LIABILITIES AND EQUITY		<u>467,009</u>	<u>461,392</u>
COMMITMENTS AND CONTINGENCIES	31	<u>60,456</u>	<u>83,441</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2013.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	Note	2 nd Quarter Ended		Six Months Ended	
		30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
		RM'000	RM'000	RM'000	RM'000
Interest income	26	4,044	3,091	7,949	5,807
Interest expense	27	(1,091)	(648)	(2,101)	(1,077)
Net interest income		2,953	2,443	5,848	4,730
Other operating income	28	255	127	718	310
Net income		3,208	2,570	6,566	5,040
Other operating expenses	29	(4,592)	(3,115)	(8,648)	(5,835)
Loan impairment charges	30	(2,110)	(55)	(2,282)	(217)
Loss before tax		(3,494)	(600)	(4,364)	(1,012)
Taxation		-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		(3,494)	(600)	(4,364)	(1,012)
Net (loss)/gain on securities available-for-sale		-	-	-	-
Income tax relating to components of other comprehensive income		-	-	-	-
Other comprehensive income for The financial year, Net of tax		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		(3,494)	(600)	(4,364)	(1,012)

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2013.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2014	320,000	(6,445)	313,555
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(4,364)	(4,364)
Balance as at 30 June 2014	<u>320,000</u>	<u>(10,809)</u>	<u>309,191</u>
Balance as at 1 January 2013	310,000	(4,246)	305,754
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(1,012)	(1,012)
Balance as at 30 June 2013	<u>310,000</u>	<u>(5,258)</u>	<u>304,742</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2013.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	1Jan 2014 To 30 Jun 2014	1Jan 2013 To 30 Jun 2013
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,364)	(1,012)
Adjustments for:		
Depreciation of plant and equipment	650	635
Amortisation of intangible assets	1,240	1,189
Interest income	(7,949)	(5,807)
Interest expense	2,101	1,077
	<hr/>	<hr/>
Operating loss before working capital changes	(8,322)	(3,918)
(Increase) in deposits and placements with financial institution	(86,195)	(30,442)
(Increase) in other assets	(74)	(104)
(Increase) in derivative assets	(57)	-
(Increase) in loans, advances and financing	(3,148)	(14,223)
Increase in deposits from customers	7,093	48,115
Increase in deposits and placements of banks and other financial institutions	-	954
(Decrease) in derivative liabilities	(83)	-
Increase/(Decrease) in other liabilities	2,971	(2,879)
	<hr/>	<hr/>
Net cash used in operating activities	(87,815)	(2,497)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(50)	(41)
Purchase of intangible assets	(24)	(291)
Proceed of disposal of plant and equipment	-	1
Purchase of financial assets held-to-maturity	(9,961)	(10,179)
Interest received	7,949	5,807
	<hr/>	<hr/>
Net cash generated from/(used) in investing activities	(2,086)	(4,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	-
Interest paid	(2,101)	(1,077)
	<hr/>	<hr/>
Net cash generated from financing activities	(2,101)	(1,077)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		
	(92,002)	(8,277)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		
	216,096	237,359
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		
15	124,094	229,082
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The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2013.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014**

1 CORPORATE INFORMATION

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD (“the Bank”) commenced commercial banking business on 11 July 2012. The principal activities of the Bank are banking and related financial services.

The address of the registered office and principal place of operation of the Bank is at 15, Jalan Raja Chulan, Bangunan Yee Seng, 50200 Kuala Lumpur.

The Bank is a company limited by shares and is a licensed Bank, incorporated and domiciled in Malaysia.

2 BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Bank Negara Malaysia (BNM) guidelines.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the financial position and performance of the Bank for the financial half year ended 30 June 2014.

The unaudited interim condensed financial statements for the financial half year ended 30 June 2014 have been prepared under the historical cost convention unless otherwise indicated in the summary of the significant accounting policies.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2013.

The following are accounting standards and amendments of the MFRS framework that have been issued by MASB but are not yet effective:

Financial year beginning on/after 1 January 2017

- MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities” (effective from 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)**

2 BASIS OF PREPARATION (CONTINUED)

The following are accounting standards and amendments of the MFRS framework that have been issued by MASB but are not yet effective (continued)

Financial year beginning on/after 1 January 2017 (continued)

- For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its audited financial statements as at and for the year ended 31 December 2013.

4 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited financial statements as at and for the year ended 31 December 2013.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE AND INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Bank for the financial half year ended 30 June 2014.

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

8 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts in prior financial year that have a material effect on the financial results and position of the Bank for the financial half year ended 30 June 2014.

9 ISSUE OF SHARES AND DEBENTURES

There were no new shares issued during the financial half year ended 30 June 2014.

10 DIVIDENDS PAID

No dividends was declared or paid during the financial half year ended 30 June 2014.

11 SEGMENT INFORMATION

There is no segmental information as the Bank only has one reportable segment, which is its banking operation in Malaysia.

12 SUBSEQUENT EVENTS

There were no material events subsequent to the statement of financial position date that require disclosure or adjustment.

13 REVIEW OF PERFORMANCE

For the financial half year ended 30 June 2014, the Bank recorded a loss of RM 4.36 million mainly due to higher operating expenses of RM 8.65 million and individual impairment allowance of RM 2.11 million. Interest income was RM 7.95 million which mainly comprised of interest income from placement with financial institutions of RM 5.96 million and from loan and advances of RM 1.68 million. Interest expenses for the period amounted to RM 2.10 million.

Deposits from customers amounted to RM 152.37 million and loans and advances amounted to RM 43.96 million as at end of 30 June 2014. Shareholders fund as at end of 30 June 2014 stood at RM 309.19 million.

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)**

14 BUSINESS PROSPECTS

The Bank is optimistic on its business prospects as there are ample opportunities to provide financing and banking services to both the Malaysian domestic business enterprises and Indian based corporates and business entities operating in Malaysia. Further, the growing bi-lateral trade relationship between India and Malaysia also offers good growth opportunities for the Bank.

The Bank is regularly reviewing its business strategies to suit the changing business environment and catering to the needs of the varied business requirement with prudent risk taking to ensure sustainability of growth going forward.

The loans and advances and trade finance activities are expected to increase further in the current year, which will contribute positively towards higher operating income.

15 CASH AND SHORT-TERM FUNDS

	<u>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Cash and balances with banks and other financial institutions	63,784	74,853
Money at call and deposit placements maturing within one month	60,310	141,243
	<u>124,094</u>	<u>216,096</u>

16 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
Licensed banks	<u>266,661</u>	<u>180,466</u>

17 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>30.06.2014</u>	<u>31.12.2013</u>
	RM'000	RM'000
<u>At fair value</u>		
Quoted money market instruments:		
Malaysian Government Securities	-	-
Private debt securities	-	-
	<u>-</u>	<u>-</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

18 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<u>At amortised cost</u>		
Money market instruments:		
Malaysian Government Securities	20,137	10,176
Private debt securities	-	-
	<u>20,137</u>	<u>10,176</u>

19 LOANS, ADVANCES AND FINANCING

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(i) By type		
Overdrafts	16,452	17,405
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	4,773	3,835
Bills receivable	15,625	11,006
Trust receipt	10,099	9,240
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(74)	(41)
	<u>46,875</u>	<u>41,445</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(800)	(628)
- Individual assessment allowance	(2,110)	-
Net loans, advances and financing	<u>43,965</u>	<u>40,817</u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	40,351	33,454
- Others	6,524	7,991
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	<u>46,875</u>	<u>41,445</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

19 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	45,767	39,904
- Cost plus	-	-
- Other variable rates	1,108	1,541
	<u>46,875</u>	<u>41,445</u>
(iv) By residual contractual maturity		
Maturity within one year	42,102	37,610
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	4,773	3,835
	<u>46,875</u>	<u>41,445</u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	16,887	15,520
- Selangor	12,575	13,143
- Kedah	6,540	6,212
- Terengganu	10,873	6,570
	<u>46,875</u>	<u>41,445</u>
(vi) By sector		
Primary agriculture	-	-
Mining and quarrying	-	-
Manufacturing	28,335	23,553
Electricity, gas and water supply	-	-
Construction	2,059	817
Wholesale and retail trade, and restaurants and hotels	13,253	14,253
Transport, storage and communication	-	-
Computer and related activities	-	-
Finance, insurance, real estate and business activities	2,629	1,920
Education, health and others	599	902
	<u>46,875</u>	<u>41,445</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

20 IMPAIRED LOANS, ADVANCES AND FINANCING

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
(i) Movements in impaired loans, advances and financing		
At beginning of financial period	-	-
Classified as impaired during the financial period	5,112	-
Reclassified as non-impaired during the financial period	-	-
Amount recovered	2,007	-
Amount written off	-	-
	<hr/>	<hr/>
At end of financial period	3,105	-
Individual impairment provision	2,110	-
	<hr/>	<hr/>
Net Impaired loans and advances	995	-
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	2.22%	-
	<hr/> <hr/>	<hr/> <hr/>
(ii) Movements in impairment allowances for loans and advances		
Individual impairments allowances		
At 1 Jan	-	-
Allowance made during the period	2,110	-
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	2,110	-
	<hr/> <hr/>	<hr/> <hr/>
Collective impairments allowances		
At 1 Jan	628	-
Allowance made during the period	172	628
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	800	628
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As % of gross loans and advances less individual impairment provisions	1.83%	1.5%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

21 DERIVATIVE ASSETS

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Derivative assets:		
Foreign exchange forwards	57	-
	<u>57</u>	<u>-</u>
	Contract or underlying <u>principal amount</u> RM'000	Positive <u>fair value</u> RM'000
<u>30.06.2014</u>		
Foreign exchange related contracts:		
- Forwards	16,417	57
	<u>16,417</u>	<u>57</u>
<u>31.12.2013</u>		
Foreign exchange related contracts:		
- Forwards	-	-
	<u>-</u>	<u>-</u>

22 OTHER ASSETS

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Other receivables	-	-
Deposits	252	214
Prepayments	232	196
	<u>484</u>	<u>410</u>
	<u>484</u>	<u>410</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

23	DEPOSITS FROM CUSTOMERS	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
	(i) By type of deposits		
	Demand deposits	13,802	10,688
	Savings deposits	698	896
	Fixed deposits	137,874	133,697
		<u>152,374</u>	<u>145,281</u>
	(ii) Maturity structure of fixed deposits is as follows:		
	Due within six months	107,938	102,136
	Six months to one year	24,258	21,780
	One year to three years	5,661	9,764
	Three years to five years	17	17
		<u>137,874</u>	<u>133,697</u>
	(iii) The deposits are sourced from the following types of customers:		
	Business enterprises	77,309	62,346
	Individuals	3,668	3,552
	Foreign entities	71,397	79,383
		<u>152,374</u>	<u>145,281</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

24 DERIVATIVE LIABILITIES

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	-	83
	<u> </u>	<u> </u>
	<u>Contract or</u> <u>underlying</u> <u>principal amount</u> RM'000	<u>Negative</u> <u>fair value</u> RM'000
<u>30.06.2014</u>		
Foreign exchange related contracts:		
- Forwards	-	-
	<u> </u>	<u> </u>
<u>31.12.2013</u>		
Foreign exchange related contracts:		
- Forwards	8,346	83
	<u> </u>	<u> </u>

25 OTHER LIABILITIES

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Other payables	1,642	1,207
Accruals	3,802	1,266
	<u> </u>	<u> </u>
	<u>5,444</u>	<u>2,473</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

26 INTEREST INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	814	215	1,683	276
Money at call and deposit placements with financial institutions	3,062	2,800	5,961	5,432
Financial Investments – Held-for-maturity	168	76	305	99
Total Interest Income	4,044	3,091	7,949	5,807

27 INTEREST EXPENSE

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4	1	7	1
Deposits from customers	1,087	647	2,094	1,076
	<u>1,091</u>	<u>648</u>	<u>2,101</u>	<u>1,077</u>

28 OTHER OPERATING INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	81	35	160	38
Service charges and fees	26	27	65	170
	<u>107</u>	<u>62</u>	<u>225</u>	<u>208</u>
<u>Other income:</u>				
Foreign exchange gain/(loss)	189	65	353	102
Unrealised gain (loss) on revaluation of derivative instruments	(41)		140	
	<u>255</u>	<u>127</u>	<u>718</u>	<u>310</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014 (CONTINUED)

29 OTHER OPERATING EXPENSES

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2014	30 Jun 2013	30 Jun 2014	30 Jun 2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	1,024	789	1,979	1,442
Marketing expenses (Note b)	48	53	80	73
Establishments costs (Note c)	2,250	1,759	4,356	3,294
Administration and general expenses (Note d)	1,271	514	2,233	1,026
	<u>4,593</u>	<u>3,115</u>	<u>8,648</u>	<u>5,835</u>
(a) <u>Personnel costs:</u>				
- Salaries and allowances	745	533	1,403	1,000
- Pension fund contributions	64	42	123	85
- Other staff costs	215	214	453	357
	<u>1,024</u>	<u>789</u>	<u>1,979</u>	<u>1,442</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	48	53	80	73
	<u>48</u>	<u>53</u>	<u>80</u>	<u>73</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	326	318	650	635
- Amortisation of intangible assets	620	606	1,240	1,189
- Rental - Office premises	88	80	173	159
- Rental - Data centre and data recovery sites	75	75	151	126
- Repair and maintenance	17	7	63	26
- Information technology expenses	927	415	1,714	720
- Telecommunication charges	167	231	313	381
- Others	30	27	52	58
	<u>2,250</u>	<u>1,759</u>	<u>4,356</u>	<u>3,294</u>
(d) <u>Administration and general expenses:</u>				
- Legal and professional fees	98	89	148	280
- Auditor's fees	30	30	60	60
- Directors' fees	42	9	42	10
- Subscriptions	100	186	196	244
- Transport and travelling	12	43	37	71
- Others	989	157	1,750	361
	<u>1,271</u>	<u>514</u>	<u>2,233</u>	<u>1,026</u>

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30 LOAN IMPAIRMENT CHARGES

	<u>30.06.2014</u> RM'000	<u>30.06.2013</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	2110	-
- Written back during the financial year	-	-
Collective assessment allowance:		
- Made during the financial year	172	217
- Written back during the financial year	-	-
	<u>2,282</u>	<u>217</u>

31 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	<u>Principal amount</u> RM'000	<u>Positive fair value of derivate contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>30 June 2014</u>				
Direct credit substitutes	13,303	-	13,303	11,723
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	832	-	166	166
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	11,600	-	5,800	5,800
- Not exceeding one year	18,304	-	3,661	3,661
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	16,417	60	176	35
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>60,456</u>	<u>60</u>	<u>23,106</u>	<u>21,385</u>

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31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	<u>Principal amount</u> RM'000	<u>Positive fair value of derivate contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>31 December 2013</u>				
Direct credit substitutes	14,340	-	14,340	11,659
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	1,463	-	293	293
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	21,912	-	10,956	10,956
- Not exceeding one year	37,380	-	7,476	7,476
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	8,346	11	134	27
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>83,441</u>	<u>11</u>	<u>33,199</u>	<u>30,411</u>

32 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	1,892	3,688
- Indian Overseas Bank	11	10
- Andhra Bank	1	1
Total	<u>1,904</u>	<u>3,699</u>

All the transactions above have been entered at agreed terms between the two parties.

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33 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank are as follows:

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	320,000	320,000
Accumulated losses	(10,809)	(6,445)
Less: Deferred tax assets	-	-
Total Common Equity Tier 1 Capital	<u>309,191</u>	<u>313,555</u>
<u>Tier 1 capital</u>		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
Total Tier 1 capital	<u>-</u>	<u>-</u>
<u>Tier 2 capital</u>		
Collective impairment allowance	800	628
Total Tier 2 capital	<u>800</u>	<u>628</u>
Total capital base	<u>309,991</u>	<u>314,183</u>
Capital ratios		
Core capital ratio	178.3%	174.0%
Risk-weighted capital ratio	178.8%	174.4%

The Bank does not have any innovative, non-innovative, complex or hybrid capital instruments.
The breakdown of risk-weighted assets by major category is as follows:

	<u>30.06.2014</u> RM'000	<u>31.12.2013</u> RM'000
Credit risk	158,388	160,232
Market risk	85	3,700
Operational risk	14,931	16,241
Total risk-weighted assets	<u>173,404</u>	<u>180,173</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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33 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 June 2014:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<u>On-balance sheet exposures</u>				
Sovereigns/central banks	20,770	20,770	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	389,261	389,261	90,473	7,238
84 Corporates	43,769	43,769	32,303	2,5
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	13,013	13,013	11,995	960
Defaulted exposures	3,106	3,106	2,233	179
Total on-balance sheet exposures	469,919	469,919	137,004	10,961
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives				
176 Credit derivatives	35	3		
Off balance sheet exposures other than OTC derivatives or credit derivatives	22,930	22,930	21,349	1,707
Total off-balance sheet exposures	23,106	23,106	21,384	1,710
Total on and off-balance sheet exposures	493,025	493,025	158,388	12,671
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	85	-	85	7
(c) Operational risk			14,931	1,194
Total risk weighted assets				

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and capital requirements

173,404

13,872

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33 CAPITAL ADEQUACY (CONTINUED)

The breakdown of the Bank's credit risk exposures by risk weights is as follows:

	Exposures after netting and credit risk mitigation (RM'000)									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total risk weighted assets
<u>30.06.2014</u>										
<u>Risk weighted</u>										
0%	20,770	-	-	12,283	-	-	1,018	-	34,071	-
20%	-	-	347,367	-	-	-	-	-	347,367	69,473
50%	-	-	42,070	3,275	-	-	-	-	45,345	22,673
100%	-	-	-	54,247	-	-	11,995	-	66,242	66,242
Total exposures	20,770	-	389,437	69,805	-	-	13,013	-	493,025	158,388
Risk weighted assets by exposure	-	-	90,508	55,885	-	-	11,995	-	-	158,388
Average risk weight	0.00%	0.00%	23.24%	80.06%	0.00%	0.00%	92.18%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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33 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2013:

<u>Exposure Class</u>	<u>Gross exposures</u>	<u>Risk Net exposures</u>	<u>weighted assets</u>	<u>Capital requirements</u>
	RM'000	RM'000	RM'000	RM'000
(a) Credit Risk				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	10,790	10,790	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	395,599	395,599	86,247	6,900
Corporates	41,445	41,445	29,837	2,387
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	14,185	14,185	13,737	1,099
Defaulted exposures	-	-	-	-
Total on-balance sheet exposures	462,019	462,019	129,821	10,386
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	134	134	27	2
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	33,065	33,065	30,384	2,431
	-	-	-	-
Total off-balance sheet exposures	33,199	33,199	30,411	2,433
Total on and off-balance sheet exposures	495,218	495,218	160,232	12,819
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	3,700	-	3,700	296
(c) Operational risk			16,241	1,299
Total risk weighted assets and capital requirements			180,173	14,414

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33 CAPITAL ADEQUACY (CONTINUED)

The breakdown of the Bank's credit risk exposures by risk weights is as follows:

	Exposures after netting and credit risk mitigation (RM'000)									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total risk weighted assets
<u>31.12.2013</u>										
<u>Risk weighted</u>										
0%	10,790	-	-	13,163	-	-	448	-	24,401	-
20%	-	-	371,975	-	-	-	-	-	371,975	74,395
50%	-	-	23,758	2,252	-	-	-	-	26,010	13,005
100%	-	-	-	59,095	-	-	13,737	-	72,832	72,832
Total exposures	10,790	-	395,733	74,510	-	-	14,185	-	495,218	160,232
Risk weighted assets by exposure	-	-	86,274	60,221	-	-	13,737	-	-	160,232
Average risk weight	0.00%	0.00%	21.80%	80.82%	0.00%	0.00%	96.84%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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34 INTEREST RATE RISK

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

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	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	Non- interest sensitive RM'000			
<u>30 June 2014</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	63,784	-	63,784	3.00
Money at call and deposit placements maturing within one month	60,310	-	-	-	-	-	-	60,310	3.31
Deposits and placements with banks and other financial institutions	-	266,661	-	-	-	-	-	266,661	3.40
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	20,137	-	-	-	20,137	3.17
Loans, advances and financing	22,951	12,865	6,286	-	4,773	(2,910)	-	43,965	7.07
Derivatives assets	-	-	-	-	-	-	57	57	-
Other assets	-	-	-	-	-	484	-	484	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	3,716	-	3,716	-
Intangible assets	-	-	-	-	-	7,795	-	7,795	-
Total assets	83,261	279,526	6,286	20,137	4,773	72,969	57	467,009	

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34 INTEREST RATE RISK (CONTINUED)

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	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	Non- interest sensitive RM'000			
<u>30 June 2014</u>									
<u>Liabilities</u>									
Deposits from customers	54,035	63,449	29,212	5,678	-	-	-	152,374	3.06
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,444	-	5,444	-
Total liabilities	<u>54,035</u>	<u>63,449</u>	<u>29,212</u>	<u>5,678</u>	<u>-</u>	<u>5,444</u>	<u>-</u>	<u>157,818</u>	
On balance sheet-interest rate gap	<u>29,226</u>	<u>216,077</u>	<u>(22,926)</u>	<u>14,459</u>	<u>4,773</u>	<u>67,525</u>	<u>57</u>	<u>309,191</u>	

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34 INTEREST RATE RISK (CONTINUED)

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

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	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	Non- interest sensitive RM'000			
<u>31 December 2013</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	74,853	-	74,853	3.00
Money at call and deposit placements maturing within one month	141,243	-	-	-	-	-	-	141,243	3.22
Deposits and placements with banks and other financial institutions	-	180,466	-	-	-	-	-	180,466	3.20
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	10,176	-	-	-	10,176	3.17
Loans, advances and financing	34,635	2,495	480	-	3,835	(628)	-	40,817	7.08
Other assets	-	-	-	-	-	410	-	410	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	4,316	-	4,316	-
Intangible assets	-	-	-	-	-	9,011	-	9,011	-
Total assets	175,878	182,961	480	10,176	3,835	88,062	-	461,392	

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34 INTEREST RATE RISK (CONTINUED)

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to <u>1 month</u> RM'000	1 - 3 <u>months</u> RM'000	3 - 12 <u>months</u> RM'000	1 - 5 <u>years</u> RM'000	Over <u>5 years</u> RM'000	Non- interest <u>sensitive</u> RM'000			
<u>31 December 2013</u>									
<u>Liabilities</u>									
Deposits from customers	69,024	35,485	30,991	9,781	-	-	-	145,281	3.06
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	83	83	-
Other liabilities	-	-	-	-	-	2,473	-	2,473	-
Total liabilities	<u>69,024</u>	<u>35,485</u>	<u>30,991</u>	<u>9,781</u>	<u>-</u>	<u>2,473</u>	<u>83</u>	<u>147,837</u>	
On balance sheet-interest rate gap	<u>106,854</u>	<u>147,476</u>	<u>(30,511)</u>	<u>395</u>	<u>3,835</u>	<u>85,589</u>	<u>(83)</u>	<u>313,555</u>	

