

Company No.

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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 2016

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 2016

	<u>Note</u>	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
ASSETS			
Cash and short-term funds	15	147,957	160,428
Deposits and placements with banks and other financial institutions	16	220,129	225,842
Financial investments available-for-sale		-	-
Financial investments held-to-maturity	17	30,447	20,184
Loans, advances and financing	18	51,034	50,846
Derivative assets	19	100	39
Other assets	20	1,462	1,059
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		1,375	1,805
Intangible assets		2,798	4,025
TOTAL ASSETS		<u>455,402</u>	<u>464,328</u>
LIABILITIES AND EQUITY			
Deposits from customers	21	134,328	141,951
Bills and acceptances payable		-	-
Derivative liabilities	22	40	34
Other liabilities	23	1,342	1,929
TOTAL LIABILITIES		<u>135,710</u>	<u>143,914</u>
Share capital	24	330,000	330,000
Accumulated losses		(10,308)	(9,586)
TOTAL EQUITY OF SHAREHOLDERS		<u>319,692</u>	<u>320,414</u>
TOTAL LIABILITIES AND EQUITY		<u>455,402</u>	<u>464,328</u>
COMMITMENTS AND CONTINGENCIES	30	<u>80,527</u>	<u>70,685</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 2015.

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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 2016

	Note	2 nd Quarter Ended		Six Months Ended	
		30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
		RM'000	RM'000	RM'000	RM'000
Interest income	25	4,493	4,291	8,860	8,680
Interest expense	26	(1,206)	(1,019)	(2,381)	(2,064)
Net interest income		3,287	3,272	6,479	6,616
Other operating income	27	29	317	908	643
Net income		3,316	3,589	7,387	7,259
Other operating expenses	28	(4,198)	(3,831)	(8,210)	(7,713)
Loan impairment charges	29	(882) 57	(242) (470)	(823) 102	(454) (495)
Loss before tax		(826)	(712)	(722)	(949)
Taxation		-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		(826)	(712)	(722)	(949)
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		(826)	(712)	(722)	(949)

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 2015.

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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 2016

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 Jan 2016	330,000	(9,586)	320,414
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(722)	(722)
Balance as at 30 Jun 2016	<u>330,000</u>	<u>(10,308)</u>	<u>319,692</u>
Balance as at 1 Jan 2015	320,000	(8,495)	311,505
Proceeds from shares issued	10,000	-	10,000
Total comprehensive loss for the financial period	-	(949)	(949)
Balance as at 30 Jun 2015	<u>330,000</u>	<u>(9,444)</u>	<u>320,556</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 2015.

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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 2016

	1Jan 2016 To 31 Mar 2016 RM'000	1Jan 2015 To 30 Jun 2015 RM'000
<u>Note</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(722)	(949)
Adjustments for:		
Depreciation of plant and equipment	662	657
Amortisation of intangible assets	1,227	1,227
Interest income	(8,860)	(8,680)
Interest expense	2,381	2,064
	<hr/>	<hr/>
Operating loss before working capital changes	(5,312)	(5,681)
Decrease in deposits and placements with financial institution	5,713	44,492
(Increase) in financial assets held-to-maturity	(15)	(12)
(Increase) in other assets	(403)	(740)
Increase in derivative assets	(61)	(4)
Increase/(Decrease) in loans, advances and financing	(188)	518
Increase in deposits from customers	(7,623)	(11,826)
Decrease/(Increase) in derivative liabilities	6	(43)
(Increase) in other liabilities	(587)	(11,861)
	<hr/>	<hr/>
Net cash generated (used in)/ from operating activities	(8,470)	14,843
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(232)	(17)
Purchase of intangible assets	-	-
Purchase of financial assets held-to-maturity	(10,248)	-
Interest received	8,860	8,680
	<hr/>	<hr/>
Net cash generated from investing activities	(1,620)	8,663
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	10,000
Interest paid	(2,381)	(2,064)
	<hr/>	<hr/>
Net cash generated (used in)/ from financing activities	(2,381)	7,936
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		
	(12,471)	31,442
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		
	<hr/>	<hr/>
	160,428	142,133
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		
	<hr/>	<hr/>
	15	
	<u>147,957</u>	<u>173,575</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 2015.

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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 2016**

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 2015. 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 first financial half year ended 30 June 2016.

The unaudited interim condensed financial statements for financial half year ended 30 June 2016 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 2015.

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

- (i) Financial year beginning on/after 1 January 2018
 - MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

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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 2016 (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)

- (ii) Financial year beginning on/after 1 January 2018
- MFRS 9 'Financial Instruments' will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

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 for the year ended 31 December 2015.

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 for the year ended 31 December 2015.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2015 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.

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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 2016 (CONTINUED)**

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 2016.

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 2016.

9 ISSUE OF SHARES AND DEBENTURES

Details of the increase in issued and paid up ordinary share capital is as disclosed in Note 24 of the financial statements.

10 DIVIDENDS PAID

No dividends was declared or paid during the financial half year ended 30 June 2016.

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 2016, the Bank recorded a loss of RM0.72 million compared to loss of RM0.95 million in the previous comparative period. This lower loss for the current period is attributable to lower loan loss provision. There was also a net loan loss provision write back of RM102,000 due to part recovery from an impaired loan.

Deposits from customers were RM134.33 million and net loans and advances were RM51.03 million as at end of 30 June 2016. Shareholders fund as at end of 30 June 2016 stood at RM319.69 million.

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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 2016 (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, which will contribute positively towards higher operating income.

15 CASH AND SHORT-TERM FUNDS

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
Cash and balances with banks and other financial institutions	69,105	69,345
Money at call and deposit placements maturing within one month	78,852	91,083
	<u>147,957</u>	<u>160,428</u>

16 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
Licensed banks	<u>220,129</u>	<u>225,842</u>

17 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	RM'000	RM'000
<u>At amortised cost</u>		
Money market instruments:		
Malaysian Government Securities	30,467	20,184
Private debt securities	-	-
	<u>30,467</u>	<u>20,184</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(i) By type		
Overdrafts	25,750	19,911
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	9,351	9,457
Bills receivable	10,677	16,540
Trust receipt	7,654	7,454
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(65)	(82)
	<u>53,367</u>	<u>53,280</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(790)	(790)
- Individual assessment allowance	(1,543)	(1,644)
Net loans, advances and financing	<u>51,034</u>	<u>50,846</u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	50,335	49,819
- Others	3,032	3,461
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	<u>53,367</u>	<u>53,280</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	51,700	50,090
- Cost plus	-	-
- Other variable rates	1,667	3,190
	<u>53,367</u>	<u>53,280</u>
(iv) By residual contractual maturity		
Maturity within one year	44,016	43,823
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	9,351	9,457
	<u>53,367</u>	<u>53,280</u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	23,308	20,481
- Selangor	9,761	6,778
- Kedah	7,814	9,066
- Terengganu	7,040	11,550
- Perak	5,444	5,405
	<u>53,367</u>	<u>53,280</u>
(vi) By sector		
Manufacturing	21,094	21,858
Electricity, gas and water supply	-	-
Construction	926	855
Wholesale and retail trade, and restaurants and hotels	22,929	27,527
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	7,855	2,555
Education, health and others	563	485
	<u>53,367</u>	<u>53,280</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 2016 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

(vii) Movements in impaired loans, advances and financing are as follows:

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Movements in impaired loans, advances and financing		
At beginning of financial period	4,999	3,130
Classified as impaired during the financial period	-	6,246
Reclassified as non-impaired during the financial period	-	-
Interest reversal	(82)	
Amount recovered	(1,269)	(2,322)
Amount written off	-	(2,055)
	<hr/>	<hr/>
At end of financial period	3,648	4,999
Individual impairment provision	(1,543)	(1,644)
	<hr/>	<hr/>
Net Impaired loans and advances	2,105	3,355
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	4.06%	6.50%
	<hr/> <hr/>	<hr/> <hr/>

(viii) Movements in allowance for impaired loans, advances and financing are as following:

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
<u>Individual assessment allowance</u>		
At 1 Jan	1,644	2,287
Allowance made during the period	-	1,820
Write back made during the period	(101)	(408)
Write off made during the period	-	(2,055)
	<hr/>	<hr/>
At end of the period	1,543	1,644
	<hr/> <hr/>	<hr/> <hr/>
<u>Collective impairments allowances</u>		
At 1 Jan	790	715
Allowance made during the period	-	75
Write back made during the period	-	-
	<hr/>	<hr/>
At end of the period	790	790
	<hr/> <hr/>	<hr/> <hr/>
As % of gross loans and advances less individual impairment provisions	1.52 %	1.53%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
(ix) Impaired loans, advances and financing analysed by geographical distribution		
Malaysia		
- Kuala Lumpur	3,648	4,999
- Selangor	-	-
- Kedah	-	-
- Terengganu	-	-
- Perak	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,648</u>	<u>4,999</u>
(x) Impaired loans, advances and financing analysed by sector		
Manufacturing	-	-
Electricity, gas and water supply	-	-
Construction	-	-
Wholesale and retail trade, and restaurants and hotels	3,648	4,999
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	-	-
Education, health and others	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,648</u>	<u>4,999</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

19 DERIVATIVE ASSETS

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Derivative assets:		
Foreign exchange forwards	100	39
	<u> </u>	<u> </u>
	<u>Contract or</u> <u>underlying</u> <u>principal amount</u> RM'000	<u>Positive</u> <u>fair value</u> RM'000
<u>30 Jun 2015</u>		
Foreign exchange related contracts:		
- Forwards	14,420	100
	<u> </u>	<u> </u>
<u>31 Dec 2014</u>		
Foreign exchange related contracts:		
- Forwards	8,182	39
	<u> </u>	<u> </u>

20 OTHER ASSETS

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Deposits	207	216
Prepayments	1,174	754
Other receivables	81	89
	<u> </u>	<u> </u>
	<u>1,462</u>	<u>1,059</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

21	DEPOSITS FROM CUSTOMERS	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
	(i) By type of deposits		
	Demand deposits	15,573	12,194
	Savings deposits	1,577	915
	Fixed deposits	117,178	128,842
		<u>134,328</u>	<u>141,951</u>
	(ii) Maturity structure of fixed deposits is as follows:		
	Due within six months	104,553	75,451
	Six months to one year	11,092	48,575
	One year to three years	1,533	4,816
		<u>117,178</u>	<u>128,842</u>
	(iii) The deposits are sourced from the following types of customers:		
	Business enterprises	62,854	69,329
	Individuals	5,313	3,094
	Foreign entities	66,161	69,528
		<u>134,328</u>	<u>141,951</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

22 DERIVATIVE LIABILITIES

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	40	34
	<u>40</u>	<u>34</u>
	<u>Contract or underlying principal amount</u> RM'000	<u>Negative fair value</u> RM'000
<u>31 Mar 2016</u>		
Foreign exchange related contracts:		
- Forwards	9,244	40
	<u>9,244</u>	<u>40</u>
<u>31 Dec 2015</u>		
Foreign exchange related contracts:		
- Forwards	13,064	34
	<u>13,064</u>	<u>34</u>

23 OTHER LIABILITIES

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Other payables	443	1,127
Accruals	899	802
	<u>1,342</u>	<u>1,929</u>

24 SHARE CAPITAL

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
<u>Authorised:</u>		
50,000,000 ordinary shares of RM10 each	500,000	500,000
<u>Issued and fully paid:</u>		
Balance as at beginning of the financial year	330,000	330,000
Issued during the financial period	-	-
	<u>330,000</u>	<u>330,000</u>
Balance as at end of the financial period	<u>330,000</u>	<u>330,000</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016 (CONTINUED)

25 INTEREST INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Loans and advances	912	780	1,659	1,575
Money at call and deposit placements with financial institutions	3,409	3,342	6,864	6,771
Financial Investments – Held-for-maturity	172	169	337	334
Total Interest Income	4,493	4,291	8,860	8,680

26 INTEREST EXPENSE

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	35	1	36	1
Deposits from customers	1,171	1,018	2,345	2,063
	1,206	1,019	2,381	2,064

27 OTHER OPERATING INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	62	74	144	155
Service charges and fees	125	30	174	100
Other income	19	17	34	17
	206	121	352	272
<u>Other income:</u>				
Foreign exchange gain/(loss)	294	262	506	324
Unrealised gain (loss) on revaluation of derivative instruments	(471)	(66)	50	47
	29	317	908	643

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28 OTHER OPERATING EXPENSES

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	1,349	1,311	2,501	2,485
Marketing expenses (Note b)	30	20	50	47
Establishments costs (Note c)	2,223	2,082	4,474	4,236
Administration and general expenses (Note d)	596	418	1,185	945
	<u>4,198</u>	<u>3,831</u>	<u>8,210</u>	<u>7,713</u>
(a) <u>Personnel costs:</u>				
- Salaries and allowances	879	896	1,719	1,702
- Pension fund contributions	118	109	228	203
- Other staff costs	352	306	554	580
	<u>1,349</u>	<u>1,311</u>	<u>2,501</u>	<u>2,485</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	30	20	50	47
	<u>30</u>	<u>20</u>	<u>50</u>	<u>47</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	312	333	662	657
- Amortisation of intangible assets	614	613	1,227	1,227
- Rental - Office premises	103	95	206	183
- Rental - Data centre and data recovery sites	75	80	151	156
- Repair and maintenance	18	12	31	19
- Information technology expenses	922	787	1,839	1,637
- Telecommunication charges	148	142	298	307
- Others	31	20	60	50
	<u>2,223</u>	<u>2,082</u>	<u>4,474</u>	<u>4,236</u>
(d) <u>Administration and general expenses:</u>				
- Legal and professional fees	70	33	141	169
- Auditor's fees	52	55	103	79
- Directors' fees	36	19	70	51
- Subscriptions	103	83	207	207
- Transport and travelling	3	6	3	10
- Others	332	222	661	429
	<u>596</u>	<u>418</u>	<u>1,185</u>	<u>945</u>

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29 LOAN IMPAIRMENT CHARGES

	<u>30 Jun 2016</u> RM'000	<u>30 Jun 2015</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	-	470
- Written back during the financial year	(102)	-
Collective assessment allowance:		
- Made during the financial year	-	25
- Written back during the financial year	-	-
	<u>(102)</u>	<u>495</u>

30 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 Jun 2016</u>				
Direct credit substitutes	12,036	-	12,036	10,074
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	168	-	34	34
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	44,659	-	8,932	8,830
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	23,664	100	197	39
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>80,527</u>	<u>100</u>	<u>21,199</u>	<u>18,977</u>

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30 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 2015</u>				
Direct credit substitutes				
Transaction-related contingent items	14,411	-	14,411	12,500
Short-term self-liquidating trade-related contingencies	1,318	-	264	264
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	33,710	-	6,742	6,742
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	21,246	39	171	34
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>70,685</u>	<u>39</u>	<u>21,588</u>	<u>19,540</u>

31 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2015</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	4514	4,657
- Indian Overseas Bank	6	9
- Andhra Bank	1	1
Total	<u>4,521</u>	<u>4,667</u>

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

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32 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank are as follows:

	<u>30 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	330,000
Accumulated losses	(10,308)	(9,586)
Less: Deferred tax assets	-	-
	<hr/>	<hr/>
Total Common Equity Tier 1 Capital	319,692	320,414
	<hr/>	<hr/>
<u>Tier 1 capital</u>		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
	<hr/>	<hr/>
Total Tier 1 capital	319,692	320,414
	<hr/>	<hr/>
<u>Tier 2 capital</u>		
Collective impairment allowance	790	790
	<hr/>	<hr/>
Total Tier 2 capital	790	790
	<hr/>	<hr/>
Total capital base	320,482	321,204
	<hr/> <hr/>	<hr/> <hr/>
Capital ratios		
Core capital ratio	191.4%	189.1%
Risk-weighted capital ratio	191.9%	189.5%

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 Jun 2016</u> RM'000	<u>31 Dec 2015</u> RM'000
Credit risk	139,646	143,702
Market risk	1,269	1,171
Operational risk	26,077	24,611
	<hr/>	<hr/>
Total risk-weighted assets	166,992	169,484
	<hr/> <hr/>	<hr/> <hr/>

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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 Jun 2016:

<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				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	32,372	32,372	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	365,981	365,981	73,197	5,856
Corporates	48,929	39,732	39,732	3,179
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	6,015	6,015	5,635	451
Defaulted exposures	2,105	2,105	2,105	168
Total on-balance sheet exposures	455,402	446,205	120,669	9,654
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	197	197	39	3
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	21,002	18,938	18,938	1,515
Total off-balance sheet exposures	21,199	19,135	18,977	1,518
Total on and off-balance sheet exposures	476,601	465,340	139,646	11,172
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	1,269	-	1,269	102
(c) Operational risk			26,077	2,086
Total risk weighted assets and capital requirements			166,992	13,360

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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 Jun 2016</u>										
<u>Risk weighted</u>										
0%	32,372	-	-	-	-	-	380	-	32,752	-
20%	-	-	366,178	-	-	-	-	-	366,178	73,236
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	60,775	-	-	5,635	-	66,410	66,410
Total exposures	32,372	-	366,178	60,775	-	-	6,015	-	465,340	139,646
Risk weighted assets by exposure	-	-	73,236	60,775	-	-	5,635	-	-	139,646
Average risk weight	0.00%	0.00%	20.00%	100.00%	0.00%	0.00%	93.68%	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 2015:

<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	22,700	22,700	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	383,097	383,097	76,619	6,130
Corporates	47,491	37,299	37,299	2,984
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	7,685	7,685	6,889	551
Defaulted exposures	3,355	3,355	3,355	268
Total on-balance sheet Exposures	464,328	454,136	124,162	9,933
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives	171	171	34	3
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	21,417	19,506	19,506	1,560
Total off-balance sheet exposures	21,588	19,677	19,540	1,563
Total on and off-balance sheet Exposures	485,916	473,813	143,702	11,496
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	1,171	-	1,171	94
(c) Operational risk			24,611	1,969
Total risk weighted assets and capital requirements			169,484	13,559

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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>31.12.2015</u>										
<u>Risk weighted</u>										
0%	22,700	-	-	-	-	-	796	-	23,496	-
20%	-	-	383,268	-	-	-	-	-	383,268	76,653
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	60,160	-	-	6,889	-	67,049	67,049
Total exposures	22,700	-	383,268	60,160	-	-	7,685	-	473,813	143,702
Risk weighted assets by exposure	-	-	76,653	60,160	-	-	6,889	-	-	143,702
Average risk weight	0.00%	0.00%	20.00%	100.00%	0.00%	0.00%	89.64%	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 30 June 2016:

	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 2016</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	69,105	-	69,105	3.25
Money at call and deposit placements maturing within one month	78,305	-	-	-	-	547	-	78,852	3.62
Deposits and placements with banks and other financial institutions	-	115,534	104,595	-	-	-	-	220,129	3.29
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	10,158	-	-	20,289	-	-	-	30,447	3.40
Loans, advances and financing	25,338	7,213	11,471	-	9,345	(2,333)	-	51,034	6.60
Derivatives assets	-	-	-	-	-	-	100	583	-
Other assets	-	-	-	-	-	1,462	-	1,462	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	1,375	-	1,375	-
Intangible assets	-	-	-	-	-	2,798	-	2,798	-
Total assets	113,801	122,747	116,066	20,289	9,345	73,054	100	455,402	

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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 2016</u>									
<u>Liabilities</u>									
Deposits from customers	29,810	38,814	64,215	1,489	-	-	-	134,328	3.39
Derivative liabilities	-	-	-	-	-	-	40	40	-
Other liabilities	-	-	-	-	-	1,342	-	1,342	-
Total liabilities	29,810	38,814	64,215	1,489	-	1,342	40	135,710	
On balance sheet-interest rate gap	83,991	83,933	51,851	18,800	9,345	71,712	60	319,692	

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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 2015:

	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 2015</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	69,345	-	69,345	3.25
Money at call and deposit placements maturing within one month	90,000	-	-	-	-	1,083	-	91,083	3.70
Deposits and placements with banks and other financial institutions	-	105,289	120,553	-	-	-	-	225,842	3.98
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	10,268	9,916	-	-	-	20,184	3.22
Loans, advances and financing	29,427	9,895	4,501	-	9,457	(2,434)	-	50,846	6.45
Derivative assets	-	-	-	-	-	-	39	39	-
Other assets	-	-	-	-	-	1,059	-	1,059	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	1,805	-	1,805	-
Intangible assets	-	-	-	-	-	4,025	-	4,025	-
Total assets	<u>119,427</u>	<u>115,184</u>	<u>135,322</u>	<u>9,916</u>	<u>9,457</u>	<u>74,983</u>	<u>39</u>	<u>464,328</u>	

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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>31 December 2015</u>									
<u>Liabilities</u>									
Deposits from customers	26,329	49,401	61,404	4,817	-	-	-	141,951	3.62
Derivative liabilities	-	-	-	-	-	-	34	34	-
Other liabilities	-	-	-	-	-	1,929	-	1,929	-
Total liabilities	<u>26,329</u>	<u>49,401</u>	<u>61,404</u>	<u>4,817</u>	<u>-</u>	<u>1,929</u>	<u>34</u>	<u>143,914</u>	
On balance sheet-interest rate gap	<u>93,098</u>	<u>65,783</u>	<u>73,918</u>	<u>5,099</u>	<u>9,457</u>	<u>73,054</u>	<u>5</u>	<u>320,414</u>	

