

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017

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 31 MARCH 2017

	<u>Note</u>	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
ASSETS			
Cash and short-term funds	15	129,911	148,127
Deposits and placements with banks and other financial institutions	16	233,380	242,196
Financial investments held-to-maturity	17	20,115	20,294
Loans, advances and financing	18	68,558	60,857
Derivative assets	19	79	-
Other assets	20	2,048	896
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		582	831
Intangible assets		734	1,571
TOTAL ASSETS		<u>455,507</u>	<u>474,872</u>
LIABILITIES AND EQUITY			
Deposits from customers	21	135,508	154,423
Derivative liabilities	22	1	330
Other liabilities	23	1,427	1,090
TOTAL LIABILITIES		<u>136,936</u>	<u>155,843</u>
Share capital	24	330,000	330,000
Accumulated losses		(11,429)	(10,971)
TOTAL EQUITY OF SHAREHOLDERS		<u>318,571</u>	<u>319,029</u>
TOTAL LIABILITIES AND EQUITY		<u>455,507</u>	<u>474,872</u>
COMMITMENTS AND CONTINGENCIES	30	<u>55,086</u>	<u>62,355</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 2016.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017

	<u>Note</u>	<u>31.03 2017</u> RM'000	<u>31.03. 2016</u> RM'000
Interest income	25	4,336	4,367
Interest expense	26	(1,145)	(1,175)
Net interest income		3,191	3,192
Other operating income	27	495	879
Net income		3,686	4,071
Operating expenses	28	(4,084)	(4,012)
Loan impairment charges	29	(398) (60)	59 45
Profit/(Loss) before taxation		(458)	104
Taxation		-	-
Profit/(Loss) for the financial period		(458)	104
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 PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		(458)	104

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 2016.

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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 QUARTER ENDED 30 MARCH 2017

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 Jan 2017	330,000	(10,971)	319,029
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(458)	(458)
Balance as at 31 Mar 2017	<u>330,000</u>	<u>(11,429)</u>	<u>318,571</u>
Balance as at 1 Jan 2016	330,000	(9,586)	320,414
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(104)	(104)
Balance as at 31 Mar 2016	<u>330,000</u>	<u>(9,482)</u>	<u>320,518</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 2016.

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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 QUARTER ENDED 31 MARCH 2017

	1Jan 2017 To <u>Note</u> <u>31 Mar 2017</u> RM'000	1Jan 2016 To <u>31 Mar 2016</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(458)	104
Adjustments for:		
Depreciation of plant and equipment	274	350
Amortisation of intangible assets	613	613
Unrealised gain on revaluation of derivative instruments	(408)	(521)
Allowance for bad and doubtful debts and financing	60	(45)
Interest income	(4,336)	(4,367)
Interest expense	1,145	1,175
	<hr/>	<hr/>
Operating loss before working capital changes	(3,110)	(2,691)
Decrease/(Increase) in deposits and placements with financial institution	8,816	(23,327)
Decrease in financial assets held-to-maturity (Increase) /Decrease in other assets	179	157
	(1,152)	84
Decrease/(Increase) in derivative assets	329	(23)
Increase in loans, advances and financing	(7,761)	(3,406)
Decrease in deposits from customers	(18,915)	(14,690)
(Decrease)/Increase in derivative liabilities	(329)	19
Increase in other liabilities	337	951
	<hr/>	<hr/>
Net cash generated used in operating activities	(21,606)	(42,926)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(26)	(239)
Reversal of work in progress	224	-
Proceeds of disposal of PPE	1	-
Interest received	4,336	4,367
	<hr/>	<hr/>
Net cash generated from investing activities	4,535	4,128
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	-
Interest paid	(1,145)	(1,175)
	<hr/>	<hr/>
Net cash generated used in financing activities	(1,145)	(1,175)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		
	(18,216)	(39,973)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		
	148,127	160,428
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		
	15	120,455
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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 2016.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017**

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 2016. 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 quarter ended 31 March 2017.

The unaudited interim condensed financial statements for first financial quarter ended 31 March 2017 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 2016.

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.
 - MFRS 9 ‘Financial Instruments’ will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.
 - MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MAR 2017 (CONTINUED)**

2 BASIS OF PREPARATION (CONTINUED)

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Bank except for MFRS 9. The Bank has initiated the assessment of the potential effect of this standard. Due to the complexity of this standard, the financial impact of its adoption is still being assessed by the Bank. This standard is expected to have pervasive impact on the Bank's financial statements.

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 2016.

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 2016.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2016 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 quarter ended 31 March 2017.

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 quarter ended 31 March 2017.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)**

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 quarter ended 31 March 2017.

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 first financial quarter ended 31 Mar 2017, the Bank recorded a loss of RM 458,000 compared to profit of RM 104,000 in the previous comparative period. The higher loss is attributable to lower other income which was lower by RM 384,000 due to lower foreign exchange income.

Deposits from customers were RM 135.51 million and loans and advances were RM 68.56 million as at end of 31 March 2017. Shareholders fund as at end of 31 March 2017 stood at RM 318.57 million.

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.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

15	CASH AND SHORT-TERM FUNDS		
		<u>31 Mar 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	Cash and balances with banks and other financial institutions	84,488	92,698
	Money at call and deposit placements maturing within one month	45,423	55,429
		<u>129,911</u>	<u>148,127</u>
16	DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS		
		<u>31 Mar 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	Licensed banks	<u>233,380</u>	<u>242,196</u>
17	FINANCIAL INVESTMENTS HELD-TO-MATURITY		
		<u>31 Mar 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	<u>At amortised cost</u>		
	Money market instruments:		
	Malaysian Government Securities	20,115	20,294
	Private debt securities	-	-
		<u>20,115</u>	<u>20,294</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)**

18 LOANS, ADVANCES AND FINANCING

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(i) By type		
Overdrafts	40,525	37,722
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	9,111	9,606
Bills receivable	15,626	10,174
Trust receipt	5,909	5,871
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(74)	(37)
	<u>71,097</u>	<u>63,336</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(1,055)	(975)
- Individual assessment allowance	(1,484)	(1,504)
	<u>68,558</u>	<u>60,857</u>
Net loans, advances and financing	<u><u>68,558</u></u>	<u><u>60,857</u></u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	67,665	60,236
- Others	3,432	3,100
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
	<u>71,097</u>	<u>63,336</u>
Gross loans, advances and financing	<u><u>71,097</u></u>	<u><u>63,336</u></u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31 Mar 2017</u>	<u>31 Dec 2016</u>
	RM'000	RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	70,827	63,067
- Cost plus	-	-
- Other variable rates	270	269
	<u>71,097</u>	<u>63,336</u>
Gross loans, advances and financing	<u><u>71,097</u></u>	<u><u>63,336</u></u>
(iv) By residual contractual maturity		
Maturity within one year	61,986	53,730
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	9,111	9,606
	<u>71,097</u>	<u>63,336</u>
Gross loans, advances and financing	<u><u>71,097</u></u>	<u><u>63,336</u></u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	34,014	35,937
- Selangor	13,016	9,756
- Kedah	6,340	5,061
- Terengganu	12,814	6,246
- Perak	4,913	6,336
	<u>71,097</u>	<u>63,336</u>
Gross loans, advances and financing	<u><u>71,097</u></u>	<u><u>63,336</u></u>
(vi) By sector		
Manufacturing	24,937	18,511
Electricity, gas and water supply	-	-
Construction	917	891
Wholesale and retail trade, and restaurants and hotels	29,468	34,273
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	12,292	8,951
Education, health and others	3,483	710
	<u>71,097</u>	<u>63,336</u>
Gross loans, advances and financing	<u><u>71,097</u></u>	<u><u>63,336</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Movements in impaired loans, advances and financing		
At beginning of financial period	4,142	4,999
Classified as impaired during the financial period	-	533
Reclassified as non-impaired during the financial period	-	-
Interest reversal	-	(64)
Amount recovered	(553)	(1,326)
Amount written off	-	-
	<hr/>	<hr/>
At end of financial period	3,589	4,142
Individual impairment provision	(1,484)	(1,504)
	<hr/>	<hr/>
Net Impaired loans and advances	2,105	2,638
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	3.02%	4.27%
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Individual assessment allowance</u>		
At 1 Jan	1,504	1,644
Allowance made during the period	-	-
Write back made during the period	(20)	(140)
Write off made during the period	-	-
	<hr/>	<hr/>
At end of the period	1,484	1,504
	<hr/> <hr/>	<hr/> <hr/>
<u>Collective impairments allowances</u>		
At 1 Jan	975	790
Allowance made during the period	80	185
Write back made during the period	-	-
	<hr/>	<hr/>
At end of the period	1,055	975
	<hr/> <hr/>	<hr/> <hr/>
As % of gross loans and advances less individual impairment provisions	1.52 %	1.58%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(ix) Impaired loans, advances and financing analysed by geographical distribution		
Malaysia		
- Kuala Lumpur	3,589	4,142
- Selangor	-	-
- Kedah	-	-
- Terengganu	-	-
- Perak	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,589</u>	<u>4,142</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	3,589	4,142
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	-	-
Education, health and others	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,589</u>	<u>4,142</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

19 DERIVATIVE ASSETS

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Derivative assets:		
Foreign exchange forwards	79	-
	<u>79</u>	<u>-</u>
	<u>Contract or underlying principal amount</u> RM'000	<u>Positive fair value</u> RM'000
<u>31 Mar 2017</u>		
Foreign exchange related contracts:		
- Forwards	12,778	79
	<u>12,778</u>	<u>79</u>
<u>31 Dec 2016</u>		
Foreign exchange related contracts:		
- Forwards	1,202	-
	<u>1,202</u>	<u>-</u>

20 OTHER ASSETS

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Deposits	209	220
Prepayments	1,615	522
Other receivables	224	154
	<u>2,048</u>	<u>896</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

21	DEPOSITS FROM CUSTOMERS	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
	(i) By type of deposits		
	Demand deposits	18,289	20,188
	Savings deposits	1,112	902
	Fixed deposits	116,107	133,333
		<u>135,508</u>	<u>154,423</u>
	(ii) Maturity structure of fixed deposits is as follows:		
	Due within six months	64,254	83,185
	Six months to one year	48,272	50,143
	One year to three years	3,581	5
		<u>116,107</u>	<u>133,333</u>
	(iii) The deposits are sourced from the following types of customers:		
	Business enterprises	36,045	54,552
	Individuals	7,585	7,390
	Foreign entities	91,878	92,481
		<u>135,508</u>	<u>154,423</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

22 DERIVATIVE LIABILITIES

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	1	330
	<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>31 Mar 2017</u>		
Foreign exchange related contracts:		
- Forwards	1,997	1
	<u> </u>	<u> </u>
<u>31 Dec 2016</u>		
Foreign exchange related contracts:		
- Forwards	14,898	330
	<u> </u>	<u> </u>

23 OTHER LIABILITIES

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Accruals	1,161	692
Other payables	266	398
	<u> </u>	<u> </u>
	1,427	1,090
	<u> </u>	<u> </u>

24 SHARE CAPITAL

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'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> </u>	<u> </u>
Balance as at end of the financial period	330,000	330,000
	<u> </u>	<u> </u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

25	INTEREST INCOME	<u>31 Mar 2017</u> RM'000	<u>31 Mar 2016</u> RM'000
	Loans and advances	1,064	747
	Money at call and deposit placements with financial institutions	3,102	3,455
	Financial investments – held-to-maturity	170	165
	Total interest income	<u>4,336</u>	<u>4,367</u>
26	INTEREST EXPENSE	<u>31 Mar 2017</u> RM'000	<u>31 Mar 2016</u> RM'000
	Deposits and placements of banks and other financial institutions	60	1
	Deposits from customers	1,085	1,174
	Total interest expenses	<u>1,145</u>	<u>1,175</u>
27	OTHER OPERATING INCOME	<u>31 Mar 2017</u> RM'000	<u>31 Mar 2016</u> RM'000
	<u>Commission and fee income:</u>		
	Commission	106	82
	Service charges and fees	65	49
	Other Income	18	15
		<u>189</u>	<u>146</u>
	<u>Other income:</u>		
	Foreign exchange gain	(102)	212
	Unrealised gain (loss) on revaluation of derivative instruments	408	521
	Total	<u>495</u>	<u>879</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

28 OPERATING EXPENSES

	<u>31 Mar 2017</u> RM'000	<u>31 Mar 2016</u> RM'000
Personnel costs (Note a)	1,346	1,152
Marketing expenses (Note b)	10	20
Establishments costs (Note c)	2,228	2,251
Administration and general expenses (Note d)	500	589
	<u>4,084</u>	<u>4,012</u>
(a) <u>Personnel costs:</u>		
- Salaries and allowances	941	840
- Pension fund contributions	121	110
- Other staff costs	284	202
	<u>1,346</u>	<u>1,152</u>
(b) <u>Marketing expenses:</u>		
- Advertising and promotion	10	20
	<u>10</u>	<u>20</u>
(c) <u>Establishments costs:</u>		
- Depreciation of plant and equipment	274	350
- Amortisation of intangible assets	613	613
- Rental - Office premises	112	103
- Rental - Data centre and data recovery sites	76	76
- Repair and maintenance	22	13
- Information technology expenses	955	917
- Telecommunication charges	146	150
- Others	30	29
	<u>2,228</u>	<u>2,251</u>
(d) <u>Administration and general expenses:</u>		
- Legal and professional fees	49	71
- Auditor's fees	40	51
- Directors' fees	23	34
- Subscriptions	77	104
- Others	311	329
	<u>500</u>	<u>589</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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29 LOAN IMPAIRMENT CHARGES

	<u>31 Mar 2017</u> RM'000	<u>31 Mar 2016</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	-	-
- Written back during the financial year	(20)	(82)
Collective assessment allowance:		
- Made during the financial year	80	37
- Written back during the financial year	-	-
	<u>60</u>	<u>(45)</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>31 Mar 2017</u>				
Direct credit substitutes	12,332	-	12,332	10,150
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	1,276	-	255	255
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	26,703	-	5,341	5,154
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	14,775	79	186	37
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>55,086</u>	<u>79</u>	<u>18,114</u>	<u>15,596</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 2016</u>				
Direct credit substitutes				
Transaction-related contingent items	12,746	-	12,746	10,814
Short-term self-liquidating trade-related contingencies	1,316	-	227	227
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	32,373	-	6,475	6,416
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	16,100	-	91	18
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>62,355</u>	<u>-</u>	<u>19,539</u>	<u>17,475</u>

31 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>31 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	5,573	11,430
- Indian Overseas Bank	11	14
- Andhra Bank	1	1
Total	<u>5,585</u>	<u>11,445</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 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	320,000
Accumulated losses	(11,429)	(10,971)
Less: Deferred tax assets	-	-
	<hr/>	<hr/>
Total Common Equity Tier 1 Capital	318,571	319,029
	<hr/>	<hr/>
<u>Tier 1 capital</u>		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
	<hr/>	<hr/>
Total Tier 1 capital	-	-
	<hr/>	<hr/>
<u>Tier 2 capital</u>		
Collective impairment allowance	1,055	975
	<hr/>	<hr/>
Total Tier 2 capital	1,055	975
	<hr/>	<hr/>
Total capital base	319,626	320,004
	<hr/> <hr/>	<hr/> <hr/>
Capital ratios		
Core capital ratio	179.9%	176.1%
Risk-weighted capital ratio	180.5%	176.6%

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 Mar 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Credit risk	149,864	150,144
Market risk	30	4,120
Operational risk	27,151	26,947
	<hr/>	<hr/>
Total risk-weighted assets	177,045	181,211
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

33 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 Mar 2017:

<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	21,690	21,690	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	360,882	360,882	72,177	5,774
Corporates	66,453	56,622	56,622	4,530
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	4,376	4,376	3,364	269
Defaulted exposures	2,105	2,105	2,105	168
Total on-balance sheet exposures	455,506	445,675	134,268	10,741
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	183	186	37	3
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	17,928	15,559	15,559	1,245
Total off-balance sheet exposures	18,114	15,745	15,596	1,248
Total on and off-balance sheet exposures	473,620	461,420	149,864	11,989
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	30	-	30	2
(c) Operational risk			27,151	2,172
Total risk weighted assets and capital requirements			177,045	14,163

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

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 Mar 2017</u>										
<u>Risk weighted</u>										
0%	21,690	-	-	-	-	-	1,012	-	22,702	-
20%	-	-	361,068	-	-	-	-	-	361,068	72,214
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	74,286	-	-	3,364	-	77,650	77,650
Total exposures	21,690	-	361,068	74,286	-	-	4,376	-	461,420	149,864
Risk weighted assets by exposure	-	-	72,214	74,286	-	-	3,364	-		149,864
Average risk weight	0.00%	0.00%	20.00%	100.00%	0.00%	0.00%	76.80%	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 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				
<u>On-balance sheet exposures</u>				
Sovereigns/central banks	21,638	21,638	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	388,714	388,714	77,743	6,129
Corporates	58,219	48,723	48,723	3,898
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	3,663	3,663	3,298	264
Defaulted exposures	2,638	2,638	2,905	232
Total on-balance sheet Exposures	474,872	465,376	132,669	10,613
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives	91	91	18	1
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,448	17,457	17,457	1,397
Total off-balance sheet exposures	19,539	17,548	17,475	1,398
Total on and off-balance sheet Exposures	494,411	482,924	150,144	12,011
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	4,120	-	4,120	330
(c) Operational risk			26,947	2,156
Total risk weighted assets and capital requirements			181,211	14,497

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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>31.12.2016</u>										
<u>Risk weighted</u>										
0%	21,638	-	-	-	-	-	365	-	22,003	-
20%	-	-	388,805	-	-	-	-	-	388,805	77,761
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	68,285	-	-	3,298	-	71,583	71,583
150%	-	-	-	533	-	-	-	-	533	800
Total exposures	21,638	-	388,805	68,818	-	-	3,663	-	482,924	150,144
Risk weighted assets by exposure	-	-	77,761	69,085	-	-	3,298	-	-	150,144
Average risk weight	0.00%	0.00%	20.00%	100.39%	0.00%	0.00%	90.04%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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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 Mar 2017:

	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 March 2017</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	84,488	-	84,488	3.00
Money at call and deposit placements maturing within one month	45,000	-	-	-	-	423	-	45,423	3.43
Deposits and placements with banks and other financial institutions	-	233,380	-	-	-	-	-	233,380	3.51
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	9,992	10,123	-	-	-	20,115	3.51
Loans, advances and financing	44,642	6,125	11,219	-	9,111	(2,539)	-	68,558	6.63
Derivatives assets	-	-	-	-	-	-	79	79	-
Other assets	-	-	-	-	-	2,048	-	2,048	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	582	-	582	-
Intangible assets	-	-	-	-	-	734	-	734	-
Total assets	89,642	239,505	21,211	10,123	9,111	85,836	79	455,507	

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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 March 2017</u>									
<u>Liabilities</u>									
Deposits from customers	58,037	13,471	60,419	3,581	-	-	-	135,508	3.17
Derivative liabilities	-	-	-	-	-	-	1	1	-
Other liabilities	-	-	-	-	-	1,427	-	1,427	-
Total liabilities	<u>58,037</u>	<u>13,471</u>	<u>60,419</u>	<u>3,581</u>	<u>-</u>	<u>1,427</u>	<u>1</u>	<u>136,936</u>	
On balance sheet-interest rate gap	<u>31,605</u>	<u>226,034</u>	<u>(39,208)</u>	<u>6,542</u>	<u>9,111</u>	<u>84,409</u>	<u>78</u>	<u>318,571</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 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>31 December 2016</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	92,698	-	92,698	3.00
Money at call and deposit placements maturing within one month	55,000	-	-	-	-	429	-	55,429	3.32
Deposits and placements with banks and other financial institutions	-	68,615	173,581	-	-	-	-	242,196	3.48
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	20,294	-	-	-	20,294	3.51
Loans, advances and financing	28,228	10,449	15,053	-	9,606	(2,479)	-	60,857	6.39
Derivative assets	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	896	-	896	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	831	-	831	-
Intangible assets	-	-	-	-	-	1,571	-	1,571	-
Total assets	83,228	79,064	188,634	20,294	9,606	94,046	-	474,872	

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FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2017 (CONTINUED)

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 2016</u>									
<u>Liabilities</u>									
Deposits from customers	54,564	42,210	57,644	5	-	-	-	154,423	3.18
Derivative liabilities	-	-	-	-	-	-	330	330	-
Other liabilities	-	-	-	-	-	1,090	-	1,090	-
Total liabilities	<u>54,564</u>	<u>42,210</u>	<u>57,644</u>	<u>5</u>	<u>-</u>	<u>1,090</u>	<u>330</u>	<u>155,843</u>	
On balance sheet-interest rate gap	<u>28,664</u>	<u>36,854</u>	<u>130,990</u>	<u>20,289</u>	<u>9,606</u>	<u>92,956</u>	<u>(330)</u>	<u>319,029</u>	

