Company No.

911666	D

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

Company No.	
911666	D

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

INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2013

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Company No.

911666	D

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30 Jun 2013	31 Dec 2012
		RM'000	RM'000
ASSETS			
Cash and short-term funds	11	229,082	237,359
Deposits and placements with banks and other financial institutions	12	131,750	101,308
Financial investments available-for-sale	13	-	-
Financial investments held-to-maturity	14	10,179	-
Loans, advances and financing	15	14,223	-
Other assets	17	370	266
Statutory deposits with Bank Negara Malaysia	18	100	100
Plant and equipment	19	4,828	5,423
Intangible assets	20	9,627	10,525
TOTAL ASSETS		400,159	354,981
LIABILITIES			
Deposits from customers	21	92,315	44,200
Deposits and placements of banks and other financial institutions	22	954	-
Bills and acceptances payable		-	-
Other liabilities	23	2,148	5,027
TOTAL LIABILITIES		95,417	49,227
EQUITY			
Share capital	24	310,000	310,000
Accumulated losses		(5,258)	(4,246)
TOTAL EQUITY OF SHAREHOLDERS		304,742	305,754
TOTAL LIABILITIES AND EQUITY		400,159	354,981
COMMITMENTS AND CONTIGENCIES	30	39,900	1,604

The Unaudited Interim Financial Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No.

911666	D

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

		2nd Quarter Ended		Six Months Ended	
		30 Jun 2013	**30 Jun 2012**	**30 Jun 2013**	**30 Jun 2012**
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	25	3,091	68	5,807	121
Interest expense	26	(648)	-	(1,077)	-
Net interest income		2,443	68	4,730	121
Other operating income	27	127	-	310	-
Net income		2,570	68	5,040	121
Other operating expenses	28	(3,115)	(1,100)	(5,835)	(1,649)
		(545)	(1032)	(795)	(1,528)
Loan impairment charges	29	(55)	-	(217)	-
Loss before tax		(600)	(1032)	(1,012)	(1,528)
Taxation		-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		(600)	(1,032)	(1,012)	(1,528)

The Unaudited Interim Financial Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No.

911666	D

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

	30 Jun 2013 RM'000	**31 Dec 2012** RM'000
Loss for the financial period	(1,102)	(1,528)
Net (loss)/gain on securities available-for-sale	-	-
Income tax relating to components of other comprehensive income	-	-
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD, NET OF TAX	-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD	(1,102)	(1,528)

The Unaudited Interim Financial Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

	Note	Share capital	Accumulated losses	Total
		RM'000	RM'000	RM'000
At 1 January 2013	24	310,000	(4,246)	305,754
Total comprehensive loss for the financial period		-	(1,012)	(1,012)
At 30 June 2013		310,000	(5,258)	304,742
At 1 January 2012	24	23,401	(1,303)	22,098
Total comprehensive loss for the financial period		-	(1,528)	(1,528)
At 30 June 2012		23,401	(2,831)	20,570

The Unaudited Interim Financial Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Company No.

911666	D

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

		01 Jan 2013 To 30 Jun 2013 RM'000	01 Jan 2012 To 30 Jun 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,012)	(1,528)
Adjustments for:			
Depreciation of plant and equipment		635	176
Amortisation of intangible assets		1,189	-
Interest income		(5,807)	-
Interest expense		1,077	-
Operating loss before working capital changes		(3,918)	(1,352)
Increase in deposits and placements with financial institution		(30,442)	-
Increase in loans, advances and financing		(14,223)	-
Increase in other assets		(104)	(7,341)
Increase in statutory deposits with Bank Negara Malaysia		-	-
Increase in deposits from customers		48,115	-
Increase in deposits and placements of bank and other financial institution		954	-
Increase in other liabilities		(2,879)	(73)
Net cash used in operating activities		(2,497)	(8,766)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(41)	(149)
Purchase of intangible assets		(291)	-
Disposal of plant and equipment		1	-
Purchase of financial investments available-for-sale		-	-
Purchase of financial investments held-to-maturity		(10,179)	-
Interest received		5,807	
Net cash used in investing activities		(4,703)	(149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	-
Interest paid		(1,077)	-
Net cash generated from financing activities		(1,077)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		(8,277)	(8,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		237,359	17,037
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	11	229,082	8,122

The Unaudited Interim Financial Statements should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013

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 condensed interim financial statements for the half year ended 30 June 2013 of the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of the significant accounting policies.

These condensed interim financial statements have been prepared in accordance with the requirement of MFRS 134: Interim Financial Statements issued by the Malaysian Accounting Standards Board (MASB). These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Financial Reporting Standards Board. For periods up to and including the financial period ended 30 June 2013 the Bank prepared its financial statements in accordance with Financial Reporting Standards (FRS).

These condensed interim financial statements comply with Financial Reporting Standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A FINANCIAL ASSETS

Financial assets are recognised in the statement of financial position when, and only when, the Bank has become a party to the contractual provisions of the instruments. The Bank determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets and available-for-sale financial investments.

Financial assets are initially recognised at fair value plus transaction costs for all financial investments not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statement.

All regular purchases and sales of financial assets are recognised or de-recognised on the settlement date.

A financial assets is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A FINANCIAL ASSETS

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held-for-trading acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in income statement in the period in which the changes arise.

(ii) Available-for-sale financial assets

Available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity and are measured at fair value.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial investments are recognised separately in income statement. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in income statement. Dividends income on available-for-sale equity instruments are recognised in income statement when the Bank’s right to receive payments is established.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than those due to credit deterioration. Financial assets classified under this category are cash and short-term funds, deposits and placements with banks and other financial institutions and loans and advances.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost of the financial asset is the amount at which the financial asset is measured at initial recognition, less principal repayment, plus or less the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment. Interest income is recognised as interest income in the income statement using effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A FINANCIAL ASSETSS (CONTINUED)

(iv) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Any sale or reclassification of a significant amount of investment securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to investment securities available-for-sale, and prevent the Bank from reclassifying similar class of securities as investment securities held-to-maturity for the current and the following two financial years.

B IMPAIRMENT OF FINANCIAL ASSETS

(i) Assets carried at amortised cost

The Bank assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial investments that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B IMPAIRMENT OF FINANCIAL ASSETS

(ii) Assets carried at amortised cost

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

<u>Loans and advances</u>

The Bank first assesses whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans and advances' carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the original effective interest rate.

The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If the loans and advances has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, loans and advances are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(i) Assets carried at amortised cost (Continued)

<u>Loans and advances</u> (Continued)

Future cash flows in a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to profit or loss, even though the securities have not been de-recognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed in profit or loss subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the profit or loss if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C PLANT AND EQUIPMENT

All items of plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense is recognised in the profit and loss account. The deprecation is made at the following rates annually:

Office equipment and Computers	20%
Motor vehicles	20%
Renovation	20%

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the financial period the asset is de-recognised.

The asset’s residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date.

D INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets reassessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets of the Bank comprising computer software are amortised over their finite useful lives estimated at 5 years on a straight line basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Bank reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to that asset.

An impairment loss is recognised in the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss being recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

F PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are derecognised when extinguished.

(i) Other financial liabilities

The Bank's other financial liabilities include deposits from customers, deposits and placements of banks and other financial institutions and other liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

H FINANCIAL GUARANTEE CONTRACTS

In the ordinary course of business, the Bank gives financial guarantee, consisting letters of credits, guarantees and acceptances. A financial guarantee contract is a contract that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

I RECOGNITION OF INTEREST INCOME, EXPENSES, FEE AND OTHER INCOME

(i) Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest method applies the rate that exactly discounts estimated future cash receipts or payments through the effective life of the financial instruments to the net carrying amount of the financial investments or liability.

Interest on impaired financial asests is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I RECOGNITION OF INTEREST INCOME, EXPENSES, FEE AND OTHER INCOME (CONTINUED)

(ii) Fee and other income

Fees and commissions are recognised as income when all conditions precedent are fulfilled.

Guarantee fees which are material are recognised as income based on a time apportionment method.

Dividends are recognised when the right to receive payment is established.

J EMPLOYEE BENEFITS

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Bank.

(ii) Defined contribution plans

The Bank's contributions to defined contribution plans are charged to income statement in the financial year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

K OPERATING LEASE PAYMENT

Leases where the Bank does not assume substantially all the risk and rewards of the ownership are classified as operating leases and the leased assets are not recognised on the Bank's financial statements.

Payments made under operating leases are recognised in income statement on a straight line basis over the term of the lease.

L FOREIGN CURRENCIES

(i) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L FOREIGN CURRENCIES (CONTINUED)

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in income statement within 'other income'. All other foreign exchange gains and losses are recognised in income statement within the same line item as the underlying that gives rise to the translation difference.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	30 Jun 2013	31 Dec 2012
Indian Rupees	0.0531	0.0558
Singapore Dollars	2.5130	2.5030
United States Dollars	3.1785	3.0583
Hong Kong Dollars	0.4097	0.3945
British Pounds	4.8537	4.9420
Euro	4.1535	4.0412

M CURRENT AND DEFERRED TAX

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits for the financial year.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M CURRENT AND DEFERRED TAX (CONTINUED)

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

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires management to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

In determining the carrying amounts of some assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the statement of financial position date. The Bank estimates and assumptions are based on historical experiences and expectations of future events and are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

(a) Fair value of financial instruments

The degree of management judgement involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices or observable market parameters. For financial instruments that are traded actively and have quoted market prices or parameters readily available, there is little-to-no subjectivity in determining fair value. When observable market prices and parameters do not exist, management judgement is necessary to estimate fair value. The valuation process takes into consideration factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk.

(b) Allowance for losses on loans, advances and financing

The Bank makes allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines, management makes judgement on the future and other key factors in respect of the recovery of loans and advances. Among the factors considered are the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2012 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 2013.

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 2013.

9 ISSUE OF SHARES AND DEBENTURES

There were no new shares issued during the 1st half year of 2013.

10 DIVIDENDS PAID

No dividends was declared or paid during the 1st half year of 2013.

11 CASH AND SHORT-TERM FUNDS

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Cash and balances with banks and other financial institutions	127,434	138,517
Money at call and deposit placements maturing within one month	101,648	98,842
	229,082	237,359

12 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Licensed banks	131,750	101,308

13 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At fair value		
Quoted Money market instruments:		
Malaysian Government Securities	-	-
	-	-

14 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At amortised cost		
Quoted Money market instruments:		
Malaysian Government Securities	10,179	-
	10,179	-

15 LOANS, ADVANCES AND FINANCING

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
(i) By type		
Overdrafts	9,054	-
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	1,914	-
Bills receivable	3,472	-
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	-	-
	14,440	-
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(217)	-
- Individual assessment allowance	-	-
Net loans, advances and financing	14,223	-
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	14,440	-
- Others	-	-
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	14,440	-

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2013 (CONTINUED)

15 LOANS, ADVANCES AND FINANCING (CONTINUED)

		30 Jun 2013 RM'000	31 Dec 2012 RM'000
(iii)	By interest rate sensitivity		
	Fixed rate	-	-
	Variable rate		
	- BLR plus	14,440	-
	- Cost plus	-	-
	Gross loans, advances and financing	14,440	-
(iv)	By residual contractual maturity		
	Maturity within one year	14,440	-
	More than one year to three years	-	-
	More than three years to five years	-	-
	More than five years	-	-
	Gross loans, advances and financing	14,440	-
(v)	By geographical distribution		
	Malaysia		
	- Kuala Lumpur	7,353	-
	- Kedah	6,110	-
	- Terengganu	977	
	Total	14,440	-
(vi)	By sector		
	Electricity, gas and water	-	-
	Manufacturing	10,969	-
	Construction	-	-
	Wholesale and retail	3,108	-
	Finance, insurance and business services	363	-
	Mining and quarrying	-	-
	Transport, storage and communication	-	-
	Agriculture, hunting, forestry and fishing	-	-
	Real estate	-	-
	Total	14,440	-

16 IMPAIRED LOANS, ADVANCES AND FINANCING

		30 Jun 2013 RM'000	31 Dec 2012 RM'000
(i)	Movements in impaired loans, advances and financing		
	At beginning of financial period	-	-
	Classified as impaired during the financial period	-	-
	Reclassified as non-impaired during the financial period	-	-
	Amount recovered	-	-
	Amount written off	-	-
	At end of financial period	-	-
	Individual impairment provision	-	-
	Net Impaired loans and advances	-	-
	Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	-	-
(ii)	Movements in impairment allowances for loans and advances		
	Individual impairments allowances		
	At 1 Jan	-	-
	Allowance made during the period	-	-
	Amount written back	-	-
	At end of the period	-	-
	Collective impairments allowances		
	At 1 Jan	-	-
	Allowance made during the period	217	-
	Amount written back	-	-
	At end of the period	217	-
	As % of gross loans and advances less individual impairment provisions	1.5%	-

17 OTHER ASSETS

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Other receivables	4	-
Deposits	185	147
Prepayments	181	119
	370	266

18 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

19 PLANT AND EQUIPMENT

	Office equipment RM '000	Computers RM'000	Motor vehicles RM '000	Office renovations RM'000	Total RM'000
At 30 Jun 2013					
Cost					
At 1 Jan 2013	252	4800	170	1,357	6,579
Additions	30	9	-	2	41
Disposal		1			1
At 30 Jun 2013	282	4808	170	1,359	6,619
Accumulated depreciation					
At 1 Jan 2013	86	486	68	516	1,156
Charge for the financial period	28	480	7	120	635
Disposal					
At 30 Jun 2013	114	966	75	636	1,791
Net book value	168	3,842	95	723	4,828
At 31 Dec 2012					
Cost					
At 1 Jan 2012	191	10	170	1,272	1,643
Additions	61	4,790	-	85	4,936
At 31 Dec 2012	252	4,800	170	1,357	6,579
Accumulated depreciation					
At 1 Jan 2012	38	2	34	254	328
Charge for the financial year	48	484	34	262	828
At 31 Dec 2012	86	486	68	516	1,156
Net book value	166	4,314	102	841	5,423

20 INTANGIBLE ASSETS

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Computer software:		
Cost		
At 1 Jan	11,670	-
Additions	291	11,670
At end of period	11,961	11,670
Accumulated amortisation		
At 1 Jan	1,145	-
Amortisation for the financial period	1,189	1,145
At end of period	2,334	1,145
Net carrying amount	9,627	10,525

21 DEPOSITS FROM CUSTOMERS

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
(i) By type of deposits		
Demand deposits	8,890	3,719
Savings deposits	372	324
Fixed deposits	83,053	40,157
	92,315	44,200
(ii) Maturity structure of fixed deposits is as follows:		
Due within six months	54,850	32,953
Six months to one year	20,868	7,074
One year to three years	7,335	130
	83,053	40,157

21 DEPOSITS FROM CUSTOMERS (CONTINUED)

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
(iii) The deposits are sourced from the following types of customers:		
Business enterprises	85,950	42,568
Individuals	1,988	1,632
Others	4,377	-
	92,315	44,200

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Licensed banks	954	-
Licensed investment banks	-	-
Other financial institutions	-	-
	954	-

23 OTHER LIABILITIES

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Other payables	1,015	4,134
Accruals	1,133	893
	2,148	5,027

24 SHARE CAPITAL

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Authorised:		
50,000,000 ordinary shares of RM 10 each	500,000	500,000
Issued and fully paid:		
Balance as at beginning of the financial period	310,000	23,401
Issued during the financial period	-	286,599
Balance as at end of the financial period	310,000	310,000

25 INTEREST INCOME

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances	215	-	276	-
Money at call and deposit placements with financial institutions	2,800	68	5,432	121
Financial Investments – Held-for-maturity	76	-	99	-
Total Interest Income	3,091	68	5,807	121

26 INTEREST EXPENSE

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1	-	1	-
Deposits from customers	647	-	1,076	-
	648	-	1,077	-

27 OTHER OPERATING INCOME

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Commission and fee income:				
Commission	35	-	38	-
Service charges and fees	27	-	170	-
	62	-	208	-
Other income:				
Foreign exchange gain/(loss)	65	-	102	-
	127	-	310	-

28 OTHER OPERATING EXPENSES

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	789	343	1,442	574
Marketing expenses (Note b)	53	-	73	1
Establishments costs (Note c)	1,759	520	3,294	786
Administration and general expenses (Note d)	514	237	1,026	288
	3,115	1,100	5,835	1,649

(a) Personnel costs:				
- Salaries and allowances	533	240	1,000	379
- Pension fund contributions	42	20	85	29
- Other staff costs	214	83	357	166
	789	343	1,442	574
b) Marketing expenses:				
- Advertising and promotion	53	-	73	1
(c) Establishments costs:				
- Depreciation of plant and equipment	318	90	635	176
- Amortisation of intangible assets	606	-	1,189	-
- Rental - Office premises	80	52	159	179
- Rental - Data centre and data recovery sites	75	48	126	48
- Repair and maintenance	7	12	26	37
- Information technology expenses	415	18	720	31
- Telecommunication charges	231	285	381	289
- Others	27	15	58	26
	1,759	520	3,294	786
(d) Administration and general expenses:				
- Legal and professional fees	89	142	280	142
- Auditor's fees	30	-	60	3
- Directors' fees	9	-	10	-
- Transport and travelling	43	46	71	55
- Others	343	49	605	88
	514	237	1,026	288

29 IMPAIRMENT ALLOWANCES FOR LOANS AND ADVANCES

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Impairment allowances for loans and advances		
Individual impairment allowances		
- made in the financial period	-	-
- written back in respect of recoveries	-	-
Collective impairment allowances		
- made in the financial period	217	-
- written back in respect of recoveries	-	-
	217	-

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:

	Principal amount RM'000	Positive fair value of derivate contracts RM'000	Credit equivalent amount RM'000	Risk-weighted assets RM'000
30 Jun 2013				
Direct credit substitutes	2,455	-	2,455	953
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	631	-	126	126
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	35,957	-	7,192	7,192
Derivate financial contracts				
Foreign exchange related contracts:				
- Less than one year	857	-	13	13
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	39,900	-	9,786	8,284

30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Positive fair value of derivate contracts RM'000	Credit equivalent amount RM'000	Risk-weighted assets RM'000
31 Dec 2012				
Direct credit substitutes	1,604	-	1,604	1,284
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	-	-	-	-
Derivate financial contracts				
Foreign exchange related contracts:				
- Less than one year	-	-	-	-
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	1,604	-	1,604	1,284

The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework Standardised Approach (BASEL II).

31 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Amounts due from:		
Bank balances and short-term funds with:		
- Bank of Baroda	1,507	100
- Indian Overseas Bank	28	23
- Andhra Bank	1	2
Total	1,536	125

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

32 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital adequacy ratio of the Bank are as follows:

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Tier 1 capital		
Paid-up share capital	310,000	310,000
Accumulated losses	(5,258)	(4,246)
Less: Deferred tax assets	-	-
Total Tier 1 capital	304,742	305,754
Tier 2 capital		
Collective assessment allowance	217	-
Total Tier 2 capital	217	-
Total capital	304,959	305,754
Less: Investment in subsidiaries	-	-
Total capital base	304,959	305,754
Capital ratios		
Core capital ratio	252.34%	309.15%
Risk-weighted capital ratio	252.52%	309.15%

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32 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 June 2013:

Exposure Class		Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk					
On-balance sheet exposures					
Sovereigns/central banks		13,873	13,873	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		356,633	356,633	77,805	6,225
Corporates		14,223	14,223	8,885	711
Residential mortgages		-	-	-	-
Higher risk assets		-	-	-	-
Other assets		15,430	15,430	14,825	1,186
Defaulted exposures		-	-	-	-
Total on-balance sheet exposures		400,159	400,159	101,515	8,122
Off-balance sheet exposures					
Over-the-counter ('OTC') derivatives		-	-	-	-
Credit derivatives		2,455	2,455	953	76
Off balance sheet exposures other than OTC derivatives or credit derivatives		7,331	7,331	7,331	587
Defaulted exposures		-	-	-	-
Total off-balance sheet exposures		9,786	9,786	8,284	663
Total on and off-balance sheet exposures		409,945	409,945	109,799	8,786
	Long position	Short position			
(b) Market risk					
Interest rate risk	-	-		-	-
Foreign currency risk	-	-		-	-
(c) Operational risk				10,967	877
Total risk weighted assets and capital requirements				120,766	9,663

32 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2012:

Exposure Class		Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk					
On-balance sheet exposures					
Sovereigns/central banks		3,411	3,411	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")		334,399	334,399	72,972	5,838
Corporates		-	-	-	-
Residential mortgages		-	-	-	-
Higher risk assets		-	-	-	-
Other assets		17,171	17,171	16,213	1,297
Defaulted exposures		-	-	-	-
Total on-balance sheet exposures		354,981	354,981	89,185	7,135
Off-balance sheet exposures					
Over-the-counter ('OTC') derivatives		-	-	-	-
Credit derivatives		1,604	1,604	1,284	103
Off balance sheet exposures other than OTC derivatives or credit derivatives		-	-	-	-
Total off-balance sheet exposures		1,604	1,604	1,284	103
Total on and off-balance sheet exposures		356,585	356,585	90,469	7,238
	Long position	Short position			
(b) Market risk					
Interest rate risk	-	-		-	-
Foreign currency risk	-	-		-	-
(c) Operational risk				8,431	674
Total risk weighted assets and capital requirements				98,900	7,912

Company No.

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32 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)									
30 Jun 2013 Risk weights	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
0%	13,873	-	-	5,821	-	-	605	-	20,299	-
20%	-	-	335,039	-	-	-	-	-	335,039	67,008
50%	-	-	21,594	2,038	-	-	-	-	23,632	11,816
100%	-	-	-	16,150	-	-	14,825	-	30,975	30,975
Total exposures	13,873	-	356,633	24,009	-	-	15,430	-	409,945	109,799
Risk weighted assets by exposure	-	-	77,805	17,169	-	-	14,825	-		109,799
Average risk weight	0.00%	0.00%	21.82%	71.51%	0.00%	0.00%	96.08%	0.00%		
Deduction from capital base	-	-	-	-	-	-	-	-		

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32 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)									
31 Dec 2012 Risk weights	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
0%	3,411	-	-	120	-	-	957	-	4,488	-
20%	-	-	314,092	-	-	-	-	-	314,092	62,818
50%	-	-	20,307	400	-	-	-	-	20,707	10,354
100%	-	-	-	1,084	-	-	16,213	-	17,297	17,297
Total exposures	3,411	-	334,399	1,604	-	-	17,170	-	356,584	90,469
Risk weighted assets by exposure	-	-	72,972	1,284	-	-	16,213	-		90,469
Average risk weight	0.00%	0.00%	21.82%	80.05%	0.00%	0.00%	94.43%	0.00%		
Deduction from capital base	-	-	-	-	-	-	-	-		

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33 INTEREST RATE RISK

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 June 2013:

	Non-trading book								
30 Jun 2013	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	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and balances with banks and other financial institutions	127,434	-	-	-	-	-	-	127,434	3.00
Money at call and deposit placements maturing within one month	101,648	-	-	-	-	-	-	101,648	3.14
Deposits and placements with banks and other financial institutions	-	95,267	30,483	-	-	-	-	131,750	3.35
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	10,179	-	-	-	10,179	3.17
Loans, advances and financing	-	-	14,223	-	-	-	-	14,223	7.44
Other assets	-	-	-	-	-	370	-	370	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	4,828	-	4,828	-
Intangible assets	-	-	-	-	-	9,627	-	9,627	-
Total assets	229,082	95,267	50,706	10,179	-	14,925	-	400,159	

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33 INTEREST RATE RISK (CONTINUED)

30 Jun 2013	Non-trading book: Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	25,438	32,575	26,990	7,312	-	-	-	92,315	2.96
Deposits and placements of banks and other financial institutions	954	-	-	-	-	-	-	-	0.58
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	2,148		2,148	-
Total liabilities	26,392	32,575	26,990	7,312	-	2,148	-	95,417	
On balance sheet-interest rate gap	202,690	62,692	23,736	2,867	-	12,777	-	304,762	

33 INTEREST RATE RISK

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

	Non-trading book								
31 Dec 2012	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and balances with banks and other financial institutions	138,517	-	-	-	-	-	-	138,517	3.00
Money at call and deposit placements maturing within one month	98,842	-	-	-	-	-	-	98,842	3.18
Deposits and placements with banks and other financial institutions	-	95,274	6,034	-	-	-	-	101,308	3.19
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	-	-	-	-	-	-
Loans, advances and financing	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	266	-	266	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	5,423	-	5,423	-
Intangible assets	-	-	-	-	-	10,525	-	10,525	-
Total assets	237,359	95,274	6,034	-	-	16,314	-	354,981	

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33 INTEREST RATE RISK (CONTINUED)

	Non-trading book								
31 Dec 2012	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	4,063	32,933	7,074	130	-	-	-	44,200	3.00
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,027		5,027	-
Total liabilities	4,063	32,933	7,074	130	-	5,027	-	49,227	
On balance sheet-interest rate gap	233,296	62,342	(1,040)	(130)	-	11,287	-	305,755	

34 RISK MANAGEMENT

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Bank's strategies and risk appetite, and there is an appropriate balance between risk and reward in order to maximise shareholder returns.

The Bank's risk management policies define the Bank's risk appetite, set the limits and controls within which the Bank can operate, and reflect the requirements of regulatory authorities.

(a) Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. Credit risk arises both in the Bank's direct lending operations and in its funding, investment and trading activities, where counterparties have repayment or other obligations of the Bank.

Policies for managing credit risk are as per the Bank's Risk Management Policy are reviewed and approved by the Board on an annual basis. Specific procedures for managing credit risk are determined at the business levels with specific policies and procedures being adopted to different risk environment and business goals including an internal grading system. Credit analysis includes review of facility details, financial and risk analysis.

The credit risk policy sets out, among other things, the credit risk rating system and associated parameter estimates and the delegation of authority for granting credit. It forms an integral part of enterprise-wide policies and procedures that encompass governance, risk management and control structure. The Bank's credit risk rating system is designed to support the determination of key credit risk parameter estimates which ensure credit and transaction risk.

(i) Credit quality of non-retail exposures

Credit decisions are made based upon an assessment of the credit risk of the individual borrower or counterparty. Key factors considered in the assessment include: the borrower's management; the borrower's current and projected financial results and credit statistics; the industry in which the borrower operates; economic trends; and geopolitical risk. The Bank also reviewed the credit quality of the credit portfolio across the organisation on a regular basis to assess whether economic trends or specific events may affect the performance of the portfolio.

34 RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity refers to the ability to meet financial obligations and to fund the growth of assets. Liquidity risk is the risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as and when they fall due.

The primary tool used for monitoring liquidity is the Bank Negara's New Liquidity Framework ("NLF"). The NLF is further supplemented with the internal liquidity risk management policies. These policies ensure that the liquidity surplus are within the limit.

The key elements of the Bank's liquidity risk management framework include:-

(i) Liquidity risk measurement and management limits, including limits on maximum net cash outflow by currency over specified short-term horizons;

(ii) Sufficient holdings of liquidity assets to support its operations, which can generally be sold or pledged to meet the Bank's obligations; and

(iii) Liquidity contingency planning.

(c) Market risk

Market risk refers to the risk of loss resulting from changes in interest rates, foreign exchange rates, market prices and volatilities that arise from the Bank's funding, investment and trading activities.

Market risk arising from trading activities is controlled by marking-to-market the trading positions against their predetermined market risk limits.

The primary categories of market risk for the bank are:-

(i) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate exposures in individual currencies are controlled by gap limits. The potential reduction in net interest income from an unfavourable interest rate movement of +/- 50 basis points is prepared and reviewed regularly.

The effect of interest rate changes on the market value of investments are monitored closely and mark-to-market valuations are regularly reported to management.

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to adverse exchange rate movements on foreign currency positions taken from time to time. Open positions in foreign currency transactions are monitored against predetermined position limits and cut-loss limits.

34 RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Sensitivity analysis assesses the effect of changes in interest rates on current earning and on the economic value of assets and liabilities.

Gap analysis is used to assess the interest rate sensitivity of the Bank's operations. Under gap analysis, interest rate-sensitive assets, liabilities and derivative instruments are assigned to defined time periods, on the earlier of contractual repricing or maturity dates.

Interest rate risk management

The following table shows the impact on Net Interest income and Economic Value of Equity based on a 100 basis points (bps) parallel shift in interest rates at the beginning of the financial half year from 1 January for a period of 6 months as follows:-

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
	+/- 100 bps	+/- 100 bps
Movement in basis points		
Effect on Net Interest Income	1,634	1,552
Effect on Economic Value of Equity	390	221

As at the reporting date, if interest rate increases/decreases by 100 bps with all the other variables held constant, the Bank's Net Interest Income and Economic Value of Equity would have an impact of RM1.63 million and RM390,000 respectively for the 1st half year of 2013. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observed market environment.

Interest rate risk

The Bank actively manages interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Bank's funding and investment activities is managed in accordance with Board-approved policies and limits, which are designed to control the risk to income and economic value of shareholder's equity. The income limit measures the effect of a specified shift in interest rates on the Bank's annual net income, while the economic value limit measures the impact of a specified change in interest rates on the present value of the bank's net assets. Interest rate exposures of individual currencies are also controlled by gap limits

34 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behavior and systems, or from external events. Operational risk is inherent in each of the Bank's business and key support activities can manifest itself in various ways. These include breakdowns, error, business interruptions and inappropriate behavior of employees, and can potentially result in financial losses and other damage to the Bank.

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risk have been developed as an important part of the Bank's risk management culture. They include established policies and procedures, internal controls and procedures as well as maintaining back-up procedures for key activities, undertaking contingency planning, regular organisation review and through enforcement of the Bank's guidelines for Business Conduct. These are supported by an independent review by Internal Audit.

35 SEGMENT INFORMATION

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

36 SUBSEQUENT EVENTS

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

37 REVIEW OF PERFORMANCE

For the financial half year ended 30th June 2013, the Bank recorded a loss of RM 1.012 million mainly due to higher operating expenses. Interest income was RM 5.811 million which mainly comprised of interest income from placement with financial institutions. Interest expenses for the period amounted to RM 1.077 million and operating expenses for the half year amounted to RM 5.835 million.

Deposits from customers amounted to RM 92.315 million and loans and advances amounted to RM 14.223 million as at end of 30th June 2013. Shareholders fund as at end of June 2013 stood at RM 304.74 million.

38 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.