

Company No.

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2014

	<u>Note</u>	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	15	116,480	216,096
Deposits and placements with banks and other financial institutions	16	257,056	180,466
Financial investments available-for-sale	17	-	-
Financial investments held-to-maturity	18	19,982	10,176
Loans, advances and financing	19	44,584	40,817
Derivative assets	21	2	-
Other assets	22	387	410
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		3,392	4,316
Intangible assets		7,174	9,011
<b>TOTAL ASSETS</b>		<u>449,157</u>	<u>461,392</u>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	23	134,354	145,281
Deposits and placements of banks and other financial institutions		1,309	-
Bills and acceptances payable		-	-
Derivative liabilities	24	209	83
Other liabilities	25	3,050	2,473
<b>TOTAL LIABILITIES</b>		<u>138,922</u>	<u>147,837</u>
Share capital		320,000	320,000
Accumulated losses		(9,765)	(6,445)
<b>TOTAL EQUITY OF SHAREHOLDERS</b>		<u>310,235</u>	<u>313,555</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>449,157</u>	<u>461,392</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<u>63,947</u>	<u>83,441</u>

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

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014

	Note	3 <sup>rd</sup> Quarter Ended		Nine Months Ended	
		30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
		RM'000	RM'000	RM'000	RM'000
Interest income	26	4,233	3,302	12,182	9,109
Interest expense	27	(1,116)	(852)	(3,217)	(1,929)
Net interest income		3,117	2,450	8,965	7,180
Other operating income	28	95	187	813	497
Net income		3,212	2,637	9,778	7,677
Other operating expenses	29	(2,168)	(3,221)	(10,816)	(9,056)
Loan impairment charges	30	1,044	(584)	(1,038)	(1,380)
		-	(236)	(2,282)	(453)
Profit/ (Loss) before tax		1,044	(820)	(3,320)	(1,833)
Taxation		-	(32)	-	(32)
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<b>1,044</b>	<b>(852)</b>	<b>(3,320)</b>	<b>(1,865)</b>
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		-	-	-	-
<b>TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<b>1,044</b>	<b>(852)</b>	<b>(3,320)</b>	<b>(1,865)</b>

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

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

STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 Jan 2014	320,000	(6,445)	313,555
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(3,320)	(3,320)
Balance as at 30 Sept 2014	<u>320,000</u>	<u>(9,765)</u>	<u>310,235</u>
Balance as at 1 Jan 2013	310,000	(4,246)	305,754
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(1,865)	(1,865)
Balance as at 30 Sept 2013	<u>310,000</u>	<u>(6,111)</u>	<u>303,889</u>

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

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

STATEMENT OF CASH FLOWS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014

	1Jan 2014 To 30 Sept 2014	1Jan 2013 To 30 Sept 2013
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(3,320)	(1,865)
Adjustments for:		
Depreciation of plant and equipment	977	955
Amortisation of intangible assets	1,861	1,802
Interest income	(12,182)	(9,109)
Interest expense	3,217	1,929
	<hr/>	<hr/>
Operating loss before working capital changes	(9,447)	(6,288)
(Increase) in deposits and placements with financial institution	(76,590)	(62,600)
Decrease/(Increase) in other assets	23	(72)
(Increase) in derivative assets	(2)	-
(Increase) in loans, advances and financing	(3,767)	(28,923)
(Decrease)/Increase in deposits from customers	(10,927)	91,581
Increase in deposits and placements of banks and other financial institutions	1,309	1,629
Increase in derivative liabilities	126	-
Increase/(Decrease) in other liabilities	577	(2,843)
	<hr/>	<hr/>
Net cash used in operating activities	(98,698)	(7,516)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(52)	(96)
Purchase of intangible assets	(25)	(366)
Proceed of disposal of plant and equipment	1	1
Purchase of financial assets held-to-maturity	(9,806)	(10,099)
Interest received	12,182	9,109
	<hr/>	<hr/>
Net cash generated from/(used) in investing activities	2,299	(1,451)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	-	-
Interest paid	(3,217)	(1,929)
	<hr/>	<hr/>
Net cash generated from financing activities	(3,217)	(1,929)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>		
	(99,616)	(10,896)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>		
	216,096	237,359
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>		
15	116,480	226,463
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The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2013.

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**INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014**

**1 CORPORATE INFORMATION**

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

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

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

**2 BASIS OF PREPARATION**

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

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

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

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

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

Financial year beginning on/after 1 January 2017

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

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**INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)**

**2 BASIS OF PREPARATION (CONTINUED)**

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

**4 ESTIMATES**

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

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

**5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT**

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

**6 SEASONAL OR CYCLICAL FACTORS**

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

**7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE AND INCIDENCE**

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

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**INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD**  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)**

**8 CHANGES IN ESTIMATES**

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

**9 ISSUE OF SHARES AND DEBENTURES**

There were no new shares issued during the third financial quarter ended 30 September 2014.

**10 DIVIDENDS PAID**

No dividends was declared or paid during the third financial quarter ended 30 September 2014.

**11 SEGMENT INFORMATION**

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

**12 SUBSEQUENT EVENTS**

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

**13 REVIEW OF PERFORMANCE**

For the third financial quarter ended 30 Sept 2014, the Bank recorded a loss of RM 3.32 million mainly due to higher operating expenses of RM 10.82 million and individual impairment allowance of RM 2.11 million. Interest income was RM 12.18 million which mainly comprised of interest income from placement with financial institutions of RM 9.24 million and from loan and advances of RM 2.46 million. Interest expenses for the period amounted to RM 3.22 million.

Deposits from customers were to RM 134.35 million and loans and advances were to RM 44.58 million as at end of 30 Sept 2014. Shareholders fund as at end of 30 Sept 2014 stood at RM 310.24 million.



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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD  
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

14 BUSINESS PROSPECTS

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

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

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

15 CASH AND SHORT-TERM FUNDS

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Cash and balances with banks and other financial institutions	56,099	74,853
Money at call and deposit placements maturing within one month	60,381	141,243
	<u>116,480</u>	<u>216,096</u>

16 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Licensed banks	<u>257,056</u>	<u>180,466</u>

17 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
<u>At fair value</u>		
Quoted money market instruments:		
Malaysian Government Securities	-	-
Private debt securities	-	-
	<u>-</u>	<u>-</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

18 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
<u>At amortised cost</u>		
Money market instruments:		
Malaysian Government Securities	19,982	10,176
Private debt securities	-	-
	<u>19,982</u>	<u>10,176</u>

19 LOANS, ADVANCES AND FINANCING

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
(i) By type		
Overdrafts	17,588	17,405
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	6,321	3,835
Bills receivable	14,128	11,006
Trust receipt	9,561	9,240
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(104)	(41)
	<u>47,494</u>	<u>41,445</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(800)	(628)
- Individual assessment allowance	(2,110)	-
Net loans, advances and financing	<u>44,584</u>	<u>40,817</u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	41,241	33,454
- Others	6,253	7,991
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	<u>47,494</u>	<u>41,445</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD  
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

19 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	46,134	39,904
- Cost plus	-	-
- Other variable rates	1,361	1,541
	<u>47,494</u>	<u>41,445</u>
(iv) By residual contractual maturity		
Maturity within one year	41,173	37,610
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	6,321	3,835
	<u>47,494</u>	<u>41,445</u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	15,870	15,520
- Selangor	14,585	13,143
- Kedah	7,453	6,212
- Terengganu	9,586	6,570
	<u>47,494</u>	<u>41,445</u>
(vi) By sector		
Primary agriculture	-	-
Mining and quarrying	-	-
Manufacturing	28,300	23,553
Electricity, gas and water supply	-	-
Construction	2,056	817
Wholesale and retail trade, and restaurants and hotels	14,154	14,253
Transport, storage and communication	-	-
Computer and related activities	-	-
Finance, insurance, real estate and business activities	2,747	1,920
Education, health and others	238	902
	<u>47,494</u>	<u>41,445</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

20 IMPAIRED LOANS, ADVANCES AND FINANCING

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
(i) Movements in impaired loans, advances and financing		
At beginning of financial period	-	-
Classified as impaired during the financial period	5,112	-
Reclassified as non-impaired during the financial period	-	-
Amount recovered	2,046	-
Amount written off	-	-
	<hr/>	<hr/>
At end of financial period	3,066	-
Individual impairment provision	2,110	-
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Net Impaired loans and advances	956	-
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	2.11%	-
	<hr/> <hr/>	<hr/> <hr/>
(ii) Movements in impairment allowances for loans and advances		
Individual impairments allowances		
At 1 Jan	-	-
Allowance made during the period	2,110	-
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	2,110	-
	<hr/> <hr/>	<hr/> <hr/>
Collective impairments allowances		
At 1 Jan	628	-
Allowance made during the period	172	628
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	800	628
	<hr/> <hr/>	<hr/> <hr/>
As % of gross loans and advances less individual impairment provisions	1.80%	1.50%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

21 DERIVATIVE ASSETS

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Derivative assets:		
Foreign exchange forwards	2	-
	<u>2</u>	<u>-</u>
	<u>Contract or underlying principal amount</u> RM'000	<u>Positive fair value</u> RM'000
<u>30 Sept 2014</u>		
Foreign exchange related contracts:		
- Forwards	2,268	2
	<u>2,268</u>	<u>2</u>
<u>31 Dec 2013</u>		
Foreign exchange related contracts:		
- Forwards	-	-
	<u>-</u>	<u>-</u>

22 OTHER ASSETS

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Other receivables	-	-
Deposits	248	214
Prepayments	139	196
	<u>387</u>	<u>410</u>
	<u>387</u>	<u>410</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

23 DEPOSITS FROM CUSTOMERS

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
(i) By type of deposits		
Demand deposits	10,304	10,688
Savings deposits	1,426	896
Fixed deposits	122,624	133,697
	<u>134,354</u>	<u>145,281</u>
(ii) Maturity structure of fixed deposits is as follows:		
Due within six months	105,377	102,136
Six months to one year	17,229	21,780
One year to three years	1	9,764
Three years to five years	17	17
	<u>122,624</u>	<u>133,697</u>
(iii) The deposits are sourced from the following types of customers:		
Business enterprises	63,297	62,346
Individuals	3,975	3,552
Foreign entities	67,082	79,383
	<u>134,354</u>	<u>145,281</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

24 DERIVATIVE LIABILITIES

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	209	83
	<u>          </u>	<u>          </u>
	<u>Contract or</u> <u>underlying</u> <u>principal amount</u> RM'000	<u>Negative</u> <u>fair value</u> RM'000
<u>30 Sept 2014</u>		
Foreign exchange related contracts:		
- Forwards	14,190	209
	<u>          </u>	<u>          </u>
<u>31 Dec 2013</u>		
Foreign exchange related contracts:		
- Forwards	8,346	83
	<u>          </u>	<u>          </u>

25 OTHER LIABILITIES

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Other payables	1,286	1,207
Accruals	1,764	1,266
	<u>          </u>	<u>          </u>
	<u>3,050</u>	<u>2,473</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

26 INTEREST INCOME

	3 <sup>rd</sup> Quarter Ended		Nine Months Ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Loans and advances	782	293	2,465	569
Money at call and deposit placements with financial institutions	3,284	2,931	9,245	8,363
Financial Investments – Held-for-maturity	167	78	472	177
<b>Total Interest Income</b>	<b>4,233</b>	<b>3,302</b>	<b>12,182</b>	<b>9,109</b>

27 INTEREST EXPENSE

	3 <sup>rd</sup> Quarter Ended		Nine Months Ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	5	3	12	4
Deposits from customers	1,111	849	3,205	1,925
	<u>1,116</u>	<u>852</u>	<u>3,217</u>	<u>1,929</u>

28 OTHER OPERATING INCOME

	3 <sup>rd</sup> Quarter Ended		Nine Months Ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	96	34	256	72
Service charges and fees	65	70	130	240
	<u>161</u>	<u>104</u>	<u>386</u>	<u>312</u>
<u>Other income:</u>				
Foreign exchange gain/(loss)	199	83	552	185
Unrealised gain (loss) on revaluation of derivative instruments	(265)	-	(125)	-
	<u>95</u>	<u>187</u>	<u>813</u>	<u>497</u>



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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

29 OTHER OPERATING EXPENSES

	3 <sup>rd</sup> Quarter Ended		Nine Months Ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	934	919	2,913	2,361
Marketing expenses (Note b)	(19)	58	61	131
Establishments costs (Note c)	2,084	1,748	6,440	5,042
Administration and general expenses (Note d)	(831)	496	1,402	1,522
	<u>2,168</u>	<u>3,221</u>	<u>10,816</u>	<u>9,056</u>
(a) <u>Personnel costs:</u>				
- Salaries and allowances	691	660	2,094	1,660
- Pension fund contributions	69	53	192	138
- Other staff costs	174	206	627	563
	<u>934</u>	<u>919</u>	<u>2,913</u>	<u>2,361</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	(19)	58	61	131
	<u>(19)</u>	<u>58</u>	<u>61</u>	<u>131</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	327	320	977	955
- Amortisation of intangible assets	621	613	1,861	1,802
- Rental	163	150	487	435
- Repair and maintenance	11	8	74	34
- Information technology expenses	766	562	2,480	1,282
- Telecommunication charges	163	69	476	450
- Others	33	26	85	84
	<u>2,084</u>	<u>1,748</u>	<u>6,440</u>	<u>5,042</u>
(d) <u>Administration and general expenses:</u>				
- Legal and professional fees	62	173	210	452
- Auditor's fees	30	24	90	84
- Directors' fees	19	9	61	19
- Subscriptions	111	116	307	359
- Transport and travelling	2	8	39	79
- Others	(1,055)	166	695	529
	<u>(831)</u>	<u>496</u>	<u>1,402</u>	<u>1,522</u>

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

	<u>30 Sept 2014</u> RM'000	<u>30 Sept 2013</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	2110	-
- Written back during the financial year	-	-
Collective assessment allowance:		
- Made during the financial year	172	453
- Written back during the financial year	-	-
	<u>2,282</u>	<u>453</u>

31 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:

	<u>Principal amount</u> RM'000	<u>Positive fair value of derivate contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>30 Sept 2014</u>				
Direct credit substitutes	13,589	-	13,589	11,840
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	471	-	94	94
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	10,000	-	5,000	5,000
- Not exceeding one year	23,429	-	4,686	4,686
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	16,458	2	100	20
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>63,947</u>	<u>2</u>	<u>23,469</u>	<u>21,640</u>

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31 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

32 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	110	3,688
- Indian Overseas Bank	11	10
- Andhra Bank	1	1
Total	<u>122</u>	<u>3,699</u>

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

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33 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank are as follows:

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	320,000	320,000
Accumulated losses	(9,765)	(6,445)
Less: Deferred tax assets	-	-
	<hr/>	<hr/>
Total Common Equity Tier 1 Capital	310,235	313,555
	<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	800	628
	<hr/>	<hr/>
Total Tier 2 capital	800	628
	<hr/>	<hr/>
Total capital base	311,035	314,183
	<hr/> <hr/>	<hr/> <hr/>
Capital ratios		
Core capital ratio	181.8%	174.0%
Risk-weighted capital ratio	182.3%	174.4%

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

	<u>30 Sept 2014</u> RM'000	<u>31 Dec 2013</u> RM'000
Credit risk	151,943	160,232
Market risk	1,735	3,700
Operational risk	16,939	16,241
	<hr/>	<hr/>
Total risk-weighted assets	170,617	180,173
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

33 CAPITAL ADEQUACY (CONTINUED)

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

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	22,264	22,264	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	371,021	371,021	86,295	6,903
Corporates	44,388	44,388	30,841	2,467
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	11,287	11,287	10,954	876
Defaulted exposures	3,106	3,106	2,213	177
Total on-balance sheet exposures	452,066	452,066	130,303	10,423
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	100	100	20	2
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	23,369	23,369	21,620	1,730
Total off-balance sheet exposures	23,469	23,469	21,640	1,732
Total on and off-balance sheet exposures	475,535	475,535	151,943	12,155
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	65	1,735	1,735	139
(c) Operational risk			16,939	1,355
Total risk weighted assets and capital requirements			170,617	13,649

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FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (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>30 Sept 2014</u>										
<u>Risk weighted</u>										
0%	22,264	-	-	14,490	-	-	333	-	37,087	-
20%	-	-	330,820	-	-	-	-	-	330,820	66,164
50%	-	-	40,301	3,398	-	-	-	-	43,699	21,850
100%	-	-	-	52,975	-	-	10,954	-	63,929	63,929
Total exposures	22,264	-	371,121	70,863	-	-	11,287	-	475,535	151,943
Risk weighted assets by exposure	-	-	86,315	54,674	-	-	10,954	-	-	151,943
Average risk weight	0.00%	0.00%	23.26%	77.15%	0.00%	0.00%	97.05%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

33 CAPITAL ADEQUACY (CONTINUED)

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

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

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33 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)								Total exposures after netting and credit risk mitigation	Total risk weighted assets
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity		
<u>31 Dec 2013</u>										
<u>Risk weighted</u>										
0%	10,790	-	-	13,163	-	-	448	-	24,401	-
20%	-	-	371,975	-	-	-	-	-	371,975	74,395
50%	-	-	23,758	2,252	-	-	-	-	26,010	13,005
100%	-	-	-	59,095	-	-	13,737	-	72,832	72,832
Total exposures	10,790	-	395,733	74,510	-	-	14,185	-	495,218	160,232
Risk weighted assets by exposure	-	-	86,274	60,221	-	-	13,737	-	-	160,232
Average risk weight	0.00%	0.00%	21.80%	80.82%	0.00%	0.00%	96.84%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-



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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2014 (CONTINUED)

34 INTEREST RATE RISK

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 Sept 2014:

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>30 Sept 2014</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	56,099	-	56,099	3.25
Money at call and deposit placements maturing within one month	60,381	-	-	-	-	-	-	60,381	3.53
Deposits and placements with banks and other financial institutions	-	257,056	-	-	-	-	-	257,056	3.65
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	19,982	-	-	-	19,982	3.37
Loans, advances and financing	24,061	9,635	7,477	-	6,321	(2,910)	-	44,584	7.22
Derivatives assets	-	-	-	-	-	-	2	2	-
Other assets	-	-	-	-	-	387	-	387	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	3,392	-	3,392	-
Intangible assets	-	-	-	-	-	7,174	-	7,174	-
<b>Total assets</b>	<b>84,442</b>	<b>266,691</b>	<b>7,477</b>	<b>19,982</b>	<b>6,321</b>	<b>64,242</b>	<b>2</b>	<b>449,157</b>	

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34 INTEREST RATE RISK (CONTINUED)

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>30 Sept 2014</u>									
<u>Liabilities</u>									
Deposits from customers	53,033	43,623	37,680	18	-	-	-	134,354	3.46
Deposits and placements of banks and other financial institutions	1,309	-	-	-	-	-	-	1,309	0.45
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	209	209	-
Other liabilities	-	-	-	-	-	3,050	-	3,050	-
Total liabilities	54,342	43,623	37,680	18	-	3,050	209	138,922	
On balance sheet-interest rate gap	30,100	223,068	(30,203)	19,964	6,321	61,192	(207)	310,235	

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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 Dec 2013:

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>31 Dec 2013</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	74,853	-	74,853	3.00
Money at call and deposit placements maturing within one month	141,243	-	-	-	-	-	-	141,243	3.22
Deposits and placements with banks and other financial institutions	-	180,466	-	-	-	-	-	180,466	3.20
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	10,176	-	-	-	10,176	3.17
Loans, advances and financing	34,635	2,495	480	-	3,835	(628)	-	40,817	7.08
Other assets	-	-	-	-	-	410	-	410	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	4,316	-	4,316	-
Intangible assets	-	-	-	-	-	9,011	-	9,011	-
Total assets	175,878	182,961	480	10,176	3,835	88,062	-	461,392	

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34 INTEREST RATE RISK (CONTINUED)

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

