

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	<u>Note</u>	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
ASSETS			
Cash and short-term funds	15	173,575	142,133
Deposits and placements with banks and other financial institutions	16	196,246	240,738
Financial investments available-for-sale		-	-
Financial investments held-to-maturity	17	20,164	20,152
Loans, advances and financing	18	46,104	46,622
Derivative assets	20	5	1
Other assets	21	1,513	773
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		2,460	3,100
Intangible assets		5,252	6,479
TOTAL ASSETS		<u>445,419</u>	<u>460,098</u>
LIABILITIES AND EQUITY			
Deposits from customers	22	122,941	134,767
Bills and acceptances payable		-	-
Derivative liabilities	23	186	229
Other liabilities	24	1,736	13,597
TOTAL LIABILITIES		<u>124,863</u>	<u>148,593</u>
Share capital	25	330,000	320,000
Accumulated losses		(9,444)	(8,495)
TOTAL EQUITY OF SHAREHOLDERS		<u>320,556</u>	<u>311,505</u>
TOTAL LIABILITIES AND EQUITY		<u>445,419</u>	<u>460,098</u>
COMMITMENTS AND CONTINGENCIES	31	<u>53,025</u>	<u>61,411</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 2014.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	Note	2 nd Quarter Ended		Six Months Ended	
		30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
		RM'000	RM'000	RM'000	RM'000
Interest income	26	4,291	4,044	8,680	7,949
Interest expense	27	(1,019)	(1,091)	(2,064)	(2,101)
Net interest income		3,272	2,953	6,616	5,848
Other operating income	28	317	255	643	718
Net income		3,589	3,208	7,259	6,566
Other operating expenses	29	(3,831)	(4,592)	(7,713)	(8,648)
Loan impairment charges	30	(470)	(2,110)	(495)	(2,282)
Loss before tax		(712)	(3,494)	(949)	(4,364)
Taxation		-	-	-	-
LOSS FOR THE FINANCIAL PERIOD		(712)	(3,494)	(949)	(4,364)
Net (loss)/gain on securities available-for-sale		-	-	-	-
Income tax relating to components of other comprehensive income		-	-	-	-
Other comprehensive income for The financial year, Net of tax		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL PERIOD		(712)	(3,494)	(949)	(4,364)

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 2014.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 Jan 2015	320,000	(8,495)	311,505
Proceeds from shares issued	10,000	-	10,000
Total comprehensive loss for the financial period	-	(949)	(949)
Balance as at 30 June 2015	<u>330,000</u>	<u>(9,444)</u>	<u>320,556</u>
Balance as at 1 Jan 2014	320,000	(6,445)	313,555
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(4,364)	(4,364)
Balance as at 30 June 2014	<u>320,000</u>	<u>(10,809)</u>	<u>309,191</u>

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 2014.

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	1Jan 2015 To 30 Jun 2015	1Jan 2014 To 30 Jun 2014
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(949)	(4,364)
Adjustments for:		
Depreciation of plant and equipment	657	650
Amortisation of intangible assets	1,227	1,240
Interest income	(8,680)	(7,949)
Interest expense	2,064	2,101
	<hr/>	<hr/>
Operating loss before working capital changes	(5,681)	(8,322)
Decrease/(Increase) in deposits and placements with financial institution	44,492	(86,195)
(Increase) in financial assets held-to-maturity	(12)	-
(Increase) in other assets	(740)	(74)
(Increase) in derivative assets	(4)	(57)
Increase /(Decrease) in loans, advances and financing	518	(3,148)
(Decrease)/Increase in deposits from customers	(11,826)	7,093
Decrease in derivative liabilities	(43)	(83)
(Decrease)/ Increase in other liabilities	(11,861)	2,971
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	14,843	(87,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(17)	(50)
Purchase of intangible assets	-	(24)
Purchase of financial assets held-to-maturity	-	(9,961)
Interest received	8,680	7,949
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	8,663	(2,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	10,000	-
Interest paid	(2,064)	(2,101)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	7,936	(2,101)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		
	31,442	(92,002)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		
	142,133	216,096
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD		
15	<u>173,575</u>	<u>124,094</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 2014.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015**

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 2014. The explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the financial position and performance of the Bank for the financial half year ended 30 June 2015.

The unaudited interim condensed financial statements for financial half year ended 30 June 2015 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 2014.

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

- (i) Financial year beginning on/after 1 January 2016
 - Amendment to MFRS 11 ‘Joint arrangements’ (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 ‘Business Combination’ when it acquires an interest in a joint operation that constitutes a business.
 - Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)**

2 BASIS OF PREPARATION (CONTINUED)

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

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

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

(iii) Financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its audited financial statements for the year ended 31 December 2014.

4 ESTIMATES

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited financial statements for the year ended 31 December 2014.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

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

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)**

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE AND INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Bank for the financial half year ended 30 June 2015.

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 2015.

9 ISSUE OF SHARES AND DEBENTURES

Details of the increase in issued and paid up ordinary share capital is as disclosed in Note 25 of the financial statements.

10 DIVIDENDS PAID

No dividends was declared or paid during the financial half year ended 30 June 2015.

11 SEGMENT INFORMATION

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

12 SUBSEQUENT EVENTS

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

13 REVIEW OF PERFORMANCE

For the financial half year ended 30 June 2015, the Bank recorded a loss of RM 0.949 million compared to RM 4.36 million in the previous comparative period. The lower loss is attributable to higher revenues and lower operating expenses. Interest income was RM 8.68 million which mainly comprised of interest income from placement with financial institutions of RM 6.77 million, loan and advances of RM 1.58 million and financial investments of RM 0.33 million. Interest expenses for the period amounted to RM 2.06 million.

Deposits from customers were RM 122.94 million and loans and advances were RM 46.10 million as at end of 30 June 2015. Shareholders fund as at end of 30 June 2015 stood at RM 320.56 million.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

14 BUSINESS PROSPECTS

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

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

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

15 CASH AND SHORT-TERM FUNDS

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Cash and balances with banks and other financial institutions	61,116	74,430
Money at call and deposit placements maturing within one month	112,459	71,703
	<u>173,575</u>	<u>142,133</u>

16 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Licensed banks	196,246	240,738

17 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
<u>At amortised cost</u>		
Money market instruments:		
Malaysian Government Securities	20,164	20,152
Private debt securities	-	-
	<u>20,164</u>	<u>20,152</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
	RM'000	RM'000
(i) By type		
Overdrafts	19,275	18,753
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	6,128	6,291
Bills receivable	13,822	14,439
Trust receipt	10,439	10,208
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(63)	(67)
	<u>49,601</u>	<u>49,624</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(740)	(715)
- Individual assessment allowance	(2,757)	(2,287)
Net loans, advances and financing	<u><u>46,104</u></u>	<u><u>46,622</u></u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	46,209	46,214
- Others	3,392	3,410
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	<u><u>49,601</u></u>	<u><u>49,624</u></u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
	RM'000	RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	46,908	47,306
- Cost plus	-	-
- Other variable rates	2,693	2,318
	<u>49,601</u>	<u>49,624</u>
(iv) By residual contractual maturity		
Maturity within one year	43,473	43,333
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	6,128	6,291
	<u>49,601</u>	<u>49,624</u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	18,370	17,723
- Selangor	16,231	15,977
- Kedah	7,167	6,315
- Terengganu	7,833	9,609
	<u>49,601</u>	<u>49,624</u>
(vi) By sector		
Manufacturing	18,908	19,559
Electricity, gas and water supply	-	-
Construction	1,655	1,057
Wholesale and retail trade, and restaurants and hotels	25,266	25,711
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	2,810	2,896
Education, health and others	962	401
	<u>49,601</u>	<u>49,624</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

19 IMPAIRED LOANS, ADVANCES AND FINANCING

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
(i) Movements in impaired loans, advances and financing		
At beginning of financial period	3,130	-
Classified as impaired during the financial period	1,499	5,170
Reclassified as non-impaired during the financial period	-	-
Amount recovered	-	(2,040)
Amount written off	-	-
	<hr/>	<hr/>
At end of financial period	4,629	3,130
Individual impairment provision	(2,757)	(2,287)
	<hr/>	<hr/>
Net Impaired loans and advances	1,872	843
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	4.00%	1.78%
	<hr/> <hr/>	<hr/> <hr/>
(ii) Movements in impairment allowances for loans and advances		
Individual impairments allowances		
At 1 Jan	2,287	-
Allowance made during the period	470	2,287
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	2,757	2,287
	<hr/> <hr/>	<hr/> <hr/>
Collective impairments allowances		
At 1 Jan	715	628
Allowance made during the period	25	87
Amount written back	-	-
	<hr/>	<hr/>
At end of the period	740	715
	<hr/> <hr/>	<hr/> <hr/>
As % of gross loans and advances less individual impairment provisions	1.58%	1.51%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

19 IMPAIRED LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Jun 2015</u>	<u>31 Dec 2014</u>
	RM'000	RM'000
(iii) By geographical distribution		
Malaysia		
- Kuala Lumpur	2,073	2,073
- Selangor	2,556	1,057
- Kedah	-	-
- Terengganu	-	-
	<u>4,629</u>	<u>3,130</u>
Gross loans, advances and financing	<u><u>4,629</u></u>	<u><u>3,130</u></u>
(iv) By sector		
Manufacturing	1,499	-
Electricity, gas and water supply	-	-
Construction	1,057	1,057
Wholesale and retail trade, and restaurants and hotels	2,073	2,073
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	-	-
Education, health and others	-	-
	<u>4,629</u>	<u>3,130</u>
Gross loans, advances and financing	<u><u>4,629</u></u>	<u><u>3,130</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

20 DERIVATIVE ASSETS

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Derivative assets:		
Foreign exchange forwards	5	1
	<u>5</u>	<u>1</u>
	<u>Contract or underlying principal amount</u> RM'000	<u>Positive fair value</u> RM'000
<u>30 Jun 2015</u>		
Foreign exchange related contracts:		
- Forwards	6,686	5
	<u>6,686</u>	<u>5</u>
<u>31 Dec 2014</u>		
Foreign exchange related contracts:		
- Forwards	1,188	1
	<u>1,188</u>	<u>1</u>

21 OTHER ASSETS

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Deposits	210	253
Prepayments	1,303	520
	<u>1,513</u>	<u>773</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

22 DEPOSITS FROM CUSTOMERS

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
(i) By type of deposits		
Demand deposits	10,722	11,870
Savings deposits	949	1,178
Fixed deposits	111,270	121,719
	<u>122,941</u>	<u>134,767</u>
(ii) Maturity structure of fixed deposits is as follows:		
Due within six months	92,370	100,059
Six months to one year	15,504	21,571
One year to three years	3,396	89
	<u>111,270</u>	<u>121,719</u>
(iii) The deposits are sourced from the following types of customers:		
Business enterprises	48,270	59,842
Individuals	995	3,768
Foreign entities	62,005	71,157
	<u>111,270</u>	<u>134,767</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

23 DERIVATIVE LIABILITIES

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	186	229
	<u>11,928</u>	<u>186</u>
	<u>15,552</u>	<u>229</u>
	<u>1,736</u>	<u>13,597</u>

	<u>Contract or underlying principal amount</u> RM'000	<u>Negative fair value</u> RM'000
<u>30 Jun 2015</u>		
Foreign exchange related contracts:		
- Forwards	11,928	186
	<u>15,552</u>	<u>229</u>
<u>31 Dec 2014</u>		
Foreign exchange related contracts:		
- Forwards	15,552	229
	<u>1,736</u>	<u>13,597</u>

24 OTHER LIABILITIES

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Other payables	510	2,222
Amount due to shareholders	-	10,000
Accruals	1,226	1,375
	<u>1,736</u>	<u>13,597</u>

25 SHARE CAPITAL

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
<u>Authorised:</u>		
50,000,000 ordinary shares of RM10 each	500,000	500,000
<u>Issued and fully paid:</u>		
Balance as at beginning of the financial year	320,000	320,000
Issued during the financial year	10,000	-
	<u>330,000</u>	<u>320,000</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR FINANCIAL HALF YEAR ENDED 30 JUNE 2015 (CONTINUED)

26 INTEREST INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances	780	814	1,575	1,683
Money at call and deposit placements with financial institutions	3,342	3,062	6,771	5,961
Financial Investments – Held-for-maturity	169	168	334	305
Total Interest Income	4,291	4,044	8,680	7,949

27 INTEREST EXPENSE

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2014	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1	4	1	7
Deposits from customers	1,018	1,087	2,063	2,094
	1,019	1,091	2,064	2,101

28 OTHER OPERATING INCOME

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	74	81	155	160
Service charges and fees	30	26	100	65
Other income	17	-	17	-
	121	107	272	225
<u>Other income:</u>				
Foreign exchange gain/(loss)	262	189	324	353
Unrealised gain (loss) on revaluation of derivative instruments	(66)	(41)	47	140
	317	255	643	718

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29 OTHER OPERATING EXPENSES

	2 nd Quarter Ended		Six Months Ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	1,311	1,024	2,485	1,979
Marketing expenses (Note b)	20	48	47	80
Establishments costs (Note c)	2,082	2,250	4,236	4,356
Administration and general expenses (Note d)	418	1,271	945	2,233
	<u>3,831</u>	<u>4,593</u>	<u>7,713</u>	<u>8,648</u>
(a) <u>Personnel costs:</u>				
- Salaries and allowances	896	745	1,702	1,403
- Pension fund contributions	109	64	203	123
- Other staff costs	306	215	580	453
	<u>1,311</u>	<u>1,024</u>	<u>2,485</u>	<u>1,979</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	20	48	47	80
	<u>20</u>	<u>48</u>	<u>47</u>	<u>80</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	333	326	657	650
- Amortisation of intangible assets	613	620	1,227	1,240
- Rental	175	163	339	324
- Repair and maintenance	12	17	19	63
- Information technology expenses	787	927	1,637	1,714
- Telecommunication charges	142	167	307	313
- Others	20	30	50	52
	<u>2,082</u>	<u>2,250</u>	<u>4,236</u>	<u>4,356</u>
(d) <u>Administration and general expenses:</u>				
- Legal and professional fees	33	98	169	148
- Auditor's fees	55	30	79	60
- Directors' fees	19	42	51	42
- Subscriptions	83	100	207	196
- Transport and travelling	6	12	10	37
- Others	222	989	429	1,750
	<u>418</u>	<u>1,271</u>	<u>945</u>	<u>2,233</u>

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30 LOAN IMPAIRMENT CHARGES

	<u>30 Jun 2015</u> RM'000	<u>30 Jun 2014</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	470	2,110
- Written back during the financial year	-	-
Collective assessment allowance:		
- Made during the financial year	25	172
- Written back during the financial year	-	-
	<u>495</u>	<u>2,282</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 Jun 2015</u>				
Direct credit substitutes	14,200	-	14,200	12,085
Transaction-related contingent items	-	-	-	-
Short-term self-liquidating trade-related contingencies	613	-	122	122
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	19,598	-	3,920	3,920
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	18,614	5	89	18
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>53,025</u>	<u>5</u>	<u>18,331</u>	<u>16,145</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 2014</u>				
Direct credit substitutes				
Transaction-related contingent items	13,757	-	13,757	12,046
Short-term self-liquidating trade-related contingencies	1,386	-	277	277
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	19,529	-	3,906	3,906
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	16,739	1	111	22
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>61,411</u>	<u>1</u>	<u>23,051</u>	<u>21,251</u>

32 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	3,954	2,461
- Indian Overseas Bank	11	6
- Andhra Bank	1	1
Total	<u>3,966</u>	<u>2,468</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 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	320,000
Accumulated losses	(9,444)	(8,495)
Less: Deferred tax assets	-	-
	<hr/>	<hr/>
Total Common Equity Tier 1 Capital	320,556	311,505
	<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	740	715
	<hr/>	<hr/>
Total Tier 2 capital	740	715
	<hr/>	<hr/>
Total capital base	321,296	312,220
	<hr/> <hr/>	<hr/> <hr/>
Capital ratios		
Core capital ratio	204.9%	192.7%
Risk-weighted capital ratio	205.4%	193.1%

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

	<u>30 Jun 2015</u> RM'000	<u>31 Dec 2014</u> RM'000
Credit risk	131,792	141,902
Market risk	697	367
Operational risk	23,928	19,392
	<hr/>	<hr/>
Total risk-weighted assets	156,417	161,661
	<hr/> <hr/>	<hr/> <hr/>

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34 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 Jun 2015:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	21,529	21,529	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	367,316	367,316	73,463	5,877
Corporates	44,232	31,508	31,508	2,521
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	10,471	10,471	9,225	738
Defaulted exposures	1,872	1,872	1,451	116
Total on-balance sheet exposures	445,419	432,696	115,647	9,252
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	89	89	18	1
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,243	16,127	16,127	1,290
Total off-balance sheet exposures	18,332	16,216	16,145	1,291
Total on and off-balance sheet exposures	463,751	448,912	131,792	10,543
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	697	-	697	56
(c) Operational risk			23,928	1,914
Total risk weighted assets and capital requirements			156,417	12,513

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34 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total risk weighted assets
<u>30 Jun 2015</u>										
<u>Risk weighted</u>										
0%	21,529	-	-	-	-	-	1,246	-	22,775	-
20%	-	-	367,405	-	-	-	-	-	367,405	73,481
50%	-	-	-	842	-	-	-	-	842	421
100%	-	-	-	48,665	-	-	9,225	-	57,890	57,890
Total exposures	21,529	-	367,405	49,507	-	-	10,471	-	448,912	131,792
Risk weighted assets by exposure	-	-	73,481	49,086	-	-	9,225	-	-	131,792
Average risk weight	0.00%	0.00%	20.00%	99.15%	0.00%	0.00%	88.10%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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34 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2014:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<u>On-balance sheet exposures</u>				
Sovereigns/central banks	22,099	22,099	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	380,272	380,272	76,054	6,084
Corporates	45,779	33,823	33,823	2,706
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	11,105	11,105	10,352	828
Defaulted exposures	843	843	422	34
Total on-balance sheet exposures	460,098	448,142	120,651	9,652
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives	111	111	22	2
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	22,940	21,229	21,229	1,698
Total off-balance sheet exposures	23,051	21,340	21,251	1,700
Total on and off-balance sheet exposures	483,149	469,482	141,902	11,352
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	367	-	367	29
(c) Operational risk			19,392	1,552
Total risk weighted assets and capital requirements			161,661	12,933

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34 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total risk weighted assets
<u>31 Dec 2014</u>										
<u>Risk weighted</u>										
0%	22,099	-	-	-	-	-	753	-	22,852	-
20%	-	-	380,383	-	-	-	-	-	380,383	76,076
50%	-	-	-	843	-	-	-	-	843	422
100%	-	-	-	55,052	-	-	10,352	-	65,404	65,404
Total exposures	22,099	-	380,383	55,895	-	-	11,105	-	469,482	141,902
Risk weighted assets by exposure	-	-	76,076	55,474	-	-	10,352	-	-	141,902
Average risk weight	0.00%	0.00%	20.00%	99.25%	0.00%	0.00%	93.22%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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35 INTEREST RATE RISK

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 Jun 2015:

	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 Jun 2015</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	61,116	-	61,116	3.25
Money at call and deposit placements maturing within one month	111,000	-	-	-	-	1,459	-	112,459	3.87
Deposits and placements with banks and other financial institutions	-	150,000	45,000	-	-	1,246	-	196,246	3.69
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	20,164	-	-	-	20,164	3.37
Loans, advances and financing	26,585	9,076	7,812	-	6,128	(3,497)	-	46,104	7.38
Derivatives assets	-	-	-	-	-	-	5	5	-
Other assets	-	-	-	-	-	1,513	-	1,513	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	2,460	-	2,460	-
Intangible assets	-	-	-	-	-	5,252	-	5,252	-
Total assets	137,585	159,076	52,812	20,164	6,128	69,649	5	445,419	

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35 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 Jun 2015</u>									
<u>Liabilities</u>									
Deposits from customers	41,649	48,406	29,490	3,396	-	-	-	122,941	3.31
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	186	186	-
Other liabilities	-	-	-	-	-	1,736	-	1,736	-
Total liabilities	41,649	48,406	29,490	3,396	-	1,736	186	124,863	
On balance sheet-interest rate gap	95,936	110,670	23,322	16,768	6,128	67,913	(181)	320,556	

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35 INTEREST RATE RISK (CONTINUED)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 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>31 December 2014</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	70,430	-	70,430	3.25
Money at call and deposit placements maturing within one month	71,101	-	-	-	-	602	-	71,703	3.73
Deposits and placements with banks and other financial institutions	-	85,407	155,331	-	-	-	-	240,738	3.83
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	20,152	-	-	-	20,152	3.22
Loans, advances and financing	20,697	9,875	12,762	-	6,290	(3,002)	-	46,622	7.33
Derivative assets	-	-	-	-	-	-	1	1	-
Other assets	-	-	-	-	-	773	-	773	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	3,100	-	3,100	-
Intangible assets	-	-	-	-	-	6,479	-	6,479	-
Total assets	91,798	95,282	168,093	20,152	6,290	78,482	1	460,098	

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35 INTEREST RATE RISK (CONTINUED)

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>31 December 2014</u>									
<u>Liabilities</u>									
Deposits from customers	47,529	50,583	36,566	89	-	-	-	134,767	3.25
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	-
Bills and acceptances payable	-	-	-	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-	229	229	-
Other liabilities	-	-	-	-	-	13,597	-	13,597	-
Total liabilities	<u>47,529</u>	<u>50,583</u>	<u>36,566</u>	<u>89</u>	<u>-</u>	<u>13,597</u>	<u>229</u>	<u>148,593</u>	
On balance sheet-interest rate gap	<u>44,269</u>	<u>44,699</u>	<u>131,527</u>	<u>20,063</u>	<u>6,290</u>	<u>64,885</u>	<u>(228)</u>	<u>311,505</u>	

