

Company No.

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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 2017

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2017

	<u>Note</u>	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
ASSETS			
Cash and short-term funds	15	168,710	148,127
Deposits and placements with banks and other financial institutions	16	138,125	242,196
Financial investments held-to-maturity	17	60,276	20,294
Loans, advances and financing	18	55,233	60,857
Derivative assets	19	75	-
Other assets	20	1,152	896
Statutory deposits with Bank Negara Malaysia		100	100
Plant and equipment		289	831
Intangible assets		71	1,571
TOTAL ASSETS		424,031	474,872
LIABILITIES AND EQUITY			
Deposits from customers	21	103,866	154,423
Derivative liabilities	22	27	330
Other liabilities	23	1,823	1,090
TOTAL LIABILITIES		105,716	155,843
Share capital	24	330,000	330,000
Accumulated losses		(11,685)	(10,971)
TOTAL EQUITY OF SHAREHOLDERS		318,315	319,029
TOTAL LIABILITIES AND EQUITY		424,031	474,872
COMMITMENTS AND CONTINGENCIES	30	65,125	62,355

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2016.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017

	<u>Note</u>	3rd Quarter Ended		Nine Months Ended	
		30 Sept 2017	30 Sept 2016	30 Sept 2017	30 Sept 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	25	4,143	4,421	12,726	13,281
Interest expense	26	(855)	(1,184)	(3,034)	(3,565)
Net interest income		3,288	3,237	9,692	9,716
Other operating income	27	558	198	1,320	1,106
Net income		3,846	3,435	11,012	10,822
Other operating expenses	28	(3,525)	(3,988)	(11,679)	(12,198)
Loan impairment charges	29	-	(165)	(47)	(64)
Profit (Loss) before tax		321	(718)	(714)	(1,440)
Taxation		-	-	-	-
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		321	(718)	(714)	(1,440)
Net (loss)/gain on securities available-for-sale		-	-	-	-
Income tax relating to components of other comprehensive income		-	-	-	-
Other comprehensive income for The financial year, Net of tax		-	-	-	-
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE FINANCIAL PERIOD		321	(718)	(714)	(1,440)

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2016.

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 Jan 2017	330,000	(10,971)	319,029
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(714)	(714)
Balance as at 30 Sept 2017	<u>330,000</u>	<u>(11,685)</u>	<u>318,315</u>
Balance as at 1 Jan 2016	330,000	(9,586)	320,414
Proceeds from shares issued	-	-	-
Total comprehensive loss for the financial period	-	(1,440)	(1,440)
Balance as at 30 Sept 2016	<u>330,000</u>	<u>(11,026)</u>	<u>318,974</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2016.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017

	1Jan 2017 To 30 Sept 2017	1Jan 2016 To 30 Sept 2016
<u>Note</u>	<u>RM'000</u>	<u>RM'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(714)	(1,440)
Adjustments for:		
Depreciation of plant and equipment	586	948
Amortisation of intangible assets	1,276	1,840
Reversal of work in progress	224	-
Unrealised gain on revaluation of derivative instruments	(378)	127
Allowance for bad and doubtful debts and financing	47	64
Interest income	(12,726)	(13,281)
Interest expense	3,034	3,565
	<hr/>	<hr/>
Operating loss before working capital changes	(8,651)	(8,177)
Decrease/(Increase) in deposits and placements with financial institution	104,071	(10,085)
Increase in financial assets held-to-maturity	155	313
Decrease/(Increase) in other assets	(256)	94
Decrease/(Increase) in derivative assets	303	(97)
Decrease/(Increase) in loans, advances and financing	5,577	(15,334)
(Decrease)/Increase in deposits from customers	(50,557)	16,915
(Decrease)/Increase in derivative liabilities	(303)	93
Increase/(Decrease) in other liabilities	733	(352)
	<hr/>	<hr/>
Net cash generated from /(used) in operating activities	51,072	(16,630)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(45)	(240)
Proceeds of disposal of PPE	1	-
Purchase of financial assets held-to-maturity	(40,137)	(10,248)
Proceeds from matured Financial Assets held to maturity	12,726	10,000
Interest received	12,726	13,281
	<hr/>	<hr/>
Net cash (used in) / generated from investing activities	(27,455)	12,793
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	-
Interest paid	(3,034)	(3,565)
	<hr/>	<hr/>
Net cash used in financing activities	(3,034)	(3,565)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	20,583	(7,402)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	148,127	160,428
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	15 168,710	153,026
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The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2016.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017**

1 CORPORATE INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2016. The explanatory notes attached to the interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the financial position and performance of the Bank for the third financial quarter ended 30 Sept 2017.

The unaudited interim condensed financial statements for the third financial quarter ended 30 Sept 2017 have been prepared under the historical cost convention unless otherwise indicated in the summary of the significant accounting policies.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2016.

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

- (i) Financial year beginning on/after 1 January 2018
- MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations.
 - MFRS 9 ‘Financial Instruments’ will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.
 - MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)**

2 BASIS OF PREPARATION (CONTINUED)

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its audited financial statements for the year ended 31 December 2016.

4 ESTIMATES

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited financial statements for the year ended 31 December 2016.

5 AUDITOR'S REPORT ON PRECEDING FINANCIAL STATEMENT

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE AND INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Bank for the third financial quarter ended 30 Sept 2017.

8 CHANGES IN ESTIMATES

There were no material changes in estimates of amounts in prior financial year that have a material effect on the financial results and position of the Bank for the third financial quarter ended 30 Sept 2017.

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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 2017 (CONTINUED)**

9 ISSUE OF SHARES AND DEBENTURES

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

10 DIVIDENDS PAID

No dividends was declared or paid during for the third financial quarter ended 30 Sept 2017.

11 SEGMENT INFORMATION

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

12 SUBSEQUENT EVENTS

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

13 REVIEW OF PERFORMANCE

For the third financial quarter ended 30 Sept 2017, the Bank recorded a loss of RM 714,000 compared to a loss of RM 1,440,000 in the previous comparative period. The lower loss is attributable to higher other income which was higher by RM 214,000 mainly due to higher foreign exchange income. The other operating expenses is lower by RM519,000 in comparison to previous comparative period due to lower establishment cost mainly due to lower depreciation and amortisation charges in current financial period.

Deposits from customers were RM 103.87 million and loans and advances were RM 55.23 million as at end of 30 Sept 2017. Shareholders fund as at end of 30 Sept 2017 stood at RM 318.32 million.

14 BUSINESS PROSPECTS

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

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

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

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

15	CASH AND SHORT-TERM FUNDS	<u>30 Sept 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	Cash and balances with banks and other financial institutions	74,840	92,698
	Money at call and deposit placements maturing within one month	93,870	55,429
		<u>168,710</u>	<u>148,127</u>
16	DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	<u>30 Sept 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	Licensed banks	<u>138,125</u>	<u>242,196</u>
17	FINANCIAL INVESTMENTS HELD-TO-MATURITY	<u>30 Sept 2017</u>	<u>31 Dec 2016</u>
		RM'000	RM'000
	<u>At amortised cost</u>		
	Money market instruments:		
	Malaysian Government Securities	30,107	20,294
	Negotiable Instruments of Deposit	30,169	-
	Private debt securities	-	-
		<u>60,276</u>	<u>20,294</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(i) By type		
Overdrafts	31,768	37,722
Term loans/financing		
- Housing loans/financing	-	-
- Other term loans/financing	9,007	9,606
Bills receivable	11,060	10,174
Trust receipt	5,951	5,871
Revolving credit	-	-
Staff loans	-	-
Less : Unearned interest and income	(27)	(37)
	<u>57,759</u>	<u>63,336</u>
Less : Allowance for impaired loans and financing		
- Collective assessment allowance	(1,055)	(975)
- Individual assessment allowance	(1,471)	(1,504)
Net loans, advances and financing	<u>55,233</u>	<u>60,857</u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	57,759	60,236
- Others	-	3,100
Domestic non-bank financial institutions	-	-
Individuals	-	-
Foreign entities	-	-
Gross loans, advances and financing	<u>57,759</u>	<u>63,336</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(iii) By interest rate sensitivity		
Fixed rate	-	-
Variable rate		
- BLR plus/minus	57,491	63,067
- Cost plus	-	-
- Other variable rates	268	269
	<u>57,759</u>	<u>63,336</u>
	<u><u>57,759</u></u>	<u><u>63,336</u></u>
(iv) By residual contractual maturity		
Maturity within one year	48,752	53,730
More than one year to three years	-	-
More than three years to five years	-	-
More than five years	9,007	9,606
	<u>57,759</u>	<u>63,336</u>
	<u><u>57,759</u></u>	<u><u>63,336</u></u>
(v) By geographical distribution		
Malaysia		
- Kuala Lumpur	33,355	35,937
- Selangor	6,134	9,756
- Kedah	5,760	5,061
- Terengganu	7,877	6,246
- Perak	4,633	6,336
	<u>57,759</u>	<u>63,336</u>
	<u><u>57,759</u></u>	<u><u>63,336</u></u>
(vi) By sector		
Manufacturing	18,270	18,511
Electricity, gas and water supply	-	-
Construction	971	891
Wholesale and retail trade, and restaurants and hotels	31,545	34,273
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	6,014	8,951
Education, health and others	959	710
	<u>57,759</u>	<u>63,336</u>
	<u><u>57,759</u></u>	<u><u>63,336</u></u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Movements in impaired loans, advances and financing		
At beginning of financial period	4,142	4,999
Classified as impaired during the financial period	-	533
Reclassified as non-impaired during the financial period	-	-
Interest reversal	-	(64)
Amount recovered	(585)	(1,326)
Amount written off	-	-
	<hr/>	<hr/>
At end of financial period	3,557	4,142
Individual impairment provision	(1,471)	(1,504)
	<hr/>	<hr/>
Net Impaired loans and advances	2,086	2,638
	<hr/>	<hr/>
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	3.71%	4.27%
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(viii) Movements in allowance for impaired loans, advances and financing are as following:

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Individual assessment allowance</u>		
At 1 Jan	1,504	1,644
Allowance made during the period	-	-
Write back made during the period	(33)	(140)
Write off made during the period	-	-
	<hr/>	<hr/>
At end of the period	1,471	1,504
	<hr/> <hr/>	<hr/> <hr/>
<u>Collective impairments allowances</u>		
At 1 Jan	975	790
Allowance made during the period	80	185
Write back made during the period	-	-
	<hr/>	<hr/>
At end of the period	1,055	975
	<hr/> <hr/>	<hr/> <hr/>
As % of gross loans and advances less individual impairment provisions	1.87 %	1.58%
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

18 LOANS, ADVANCES AND FINANCING (CONTINUED)

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
(ix) Impaired loans, advances and financing analysed by geographical distribution		
Malaysia		
- Kuala Lumpur	3,557	4,142
- Selangor	-	-
- Kedah	-	-
- Terengganu	-	-
- Perak	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,557</u>	<u>4,142</u>
(x) Impaired loans, advances and financing analysed by sector		
Manufacturing	-	-
Electricity, gas and water supply	-	-
Construction	-	-
Wholesale and retail trade, and restaurants and hotels	3,557	4,142
Transport, storage and communication	-	-
Finance, insurance, real estate and business activities	-	-
Education, health and others	-	-
	<hr/>	<hr/>
Gross loans, advances and financing	<u>3,557</u>	<u>4,142</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

19 DERIVATIVE ASSETS

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Derivative assets:		
Foreign exchange forwards	75	-
	<u>75</u>	<u>-</u>
	<u>Contract or underlying principal amount</u> RM'000	<u>Positive fair value</u> RM'000
<u>30 Jun 2017</u>		
Foreign exchange related contracts:		
- Forwards	6,951	75
	<u>6,951</u>	<u>75</u>
<u>31 Dec 2016</u>		
Foreign exchange related contracts:		
- Forwards	1,202	-
	<u>1,202</u>	<u>-</u>

20 OTHER ASSETS

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Deposits	349	220
Prepayments	768	522
Other receivables	35	154
	<u>1,152</u>	<u>896</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

21	DEPOSITS FROM CUSTOMERS	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
	(i) By type of deposits		
	Demand deposits	16,730	20,188
	Savings deposits	959	902
	Fixed deposits	86,177	133,333
		<u>103,866</u>	<u>154,423</u>
	(ii) Maturity structure of fixed deposits is as follows:		
	Due within six months	66,437	83,185
	Six months to one year	14,850	50,143
	One year to three years	4,890	5
		<u>86,177</u>	<u>133,333</u>
	(iii) The deposits are sourced from the following types of customers:		
	Domestic non-bank financial institutions	2,303	2,242
	Domestic business enterprises	27,391	52,310
	Individuals	927	7,390
	Other domestic entities	367	-
	Foreign entities	72,878	92,481
		<u>103,866</u>	<u>154,423</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

22 DERIVATIVE LIABILITIES

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Derivative liabilities:		
Foreign exchange forwards	27	330
	<u> </u>	<u> </u>
	<u>Contract or</u> <u>underlying</u> <u>principal amount</u> RM'000	<u>Negative</u> <u>fair value</u> RM'000
<u>30 Jun 2017</u>		
Foreign exchange related contracts:		
- Forwards	7,096	27
	<u> </u>	<u> </u>
<u>31 Dec 2016</u>		
Foreign exchange related contracts:		
- Forwards	14,898	330
	<u> </u>	<u> </u>

23 OTHER LIABILITIES

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Accruals	1,521	692
Other payables	302	398
	<u> </u>	<u> </u>
	1,823	1,090
	<u> </u>	<u> </u>

24 SHARE CAPITAL

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Issued and fully paid:</u>		
Balance as at beginning of the financial year	330,000	330,000
Issued during the financial period	-	-
	<u> </u>	<u> </u>
Balance as at end of the financial period	330,000	330,000
	<u> </u>	<u> </u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPT 2017 (CONTINUED)

25 INTEREST INCOME

	3 rd Quarter Ended		Nine Months Ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,090	1,004	3,225	2,663
Money at call and deposit placements with financial institutions	2,572	3,235	8,594	10,099
Financial Investments – Held-for-maturity	481	182	907	519
Total Interest Income	4,143	4,421	12,726	13,281

26 INTEREST EXPENSE

	3 rd Quarter Ended		Nine Months Ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2017	2016	2017	2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	14	7	76	43
Deposits from customers	841	1,177	2,958	3,522
	855	1,184	3,034	3,565

27 OTHER OPERATING INCOME

	3 rd Quarter Ended		Nine Months Ended	
	30 Sept	30 Sept	30 Sept	30 Sept
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	57	61	242	205
Service charges and fees	98	51	223	225
Other income	25	17	69	51
	180	129	354	481
<u>Other income:</u>				
Foreign exchange gain/(loss)	363	246	408	752
Unrealised gain (loss) on revaluation of derivative instruments	15	(177)	378	(127)
	558	198	1,320	1,106

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28 OPERATING EXPENSES

	3 rd Quarter Ended		Nine Months Ended	
	30 Sept 2017	30 Sept 2016	30 Sept 2017	30 Sept 2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	1,399	1,252	3,972	3,753
Marketing expenses (Note b)	14	(11)	37	39
Establishments costs (Note c)	1,512	2,284	6,002	6,758
Administration and general expenses (Note d)	600	463	1,668	1,648
	<u>3,525</u>	<u>3,988</u>	<u>11,679</u>	<u>12,198</u>
(a) <u>Personnel costs:</u>				
- Salaries and allowances	1,006	884	2,886	1,719
- Pension fund contributions	125	114	363	228
- Other staff costs	268	254	723	554
	<u>1,399</u>	<u>1,252</u>	<u>3,972</u>	<u>2,501</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	14	(11)	37	39
	<u>14</u>	<u>(11)</u>	<u>37</u>	<u>39</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	40	286	586	948
- Amortisation of intangible assets	50	613	1,276	1,840
- Rental - Office premises	116	103	344	309
- Rental - Data centre and data recovery sites	76	76	227	227
- Repair and maintenance	31	11	67	42
- Information technology expenses	1,030	984	3,002	2,823
- Telecommunication charges	142	182	414	480
- Others	27	29	86	89
	<u>1,512</u>	<u>2,284</u>	<u>6,002</u>	<u>6,758</u>
(d) <u>Administration and general expenses:</u>				
- Legal and professional fees	103	55	209	196
- Auditor's fees	65	57	190	160
- Directors' fees	33	20	94	90
- Subscriptions	114	136	271	343
- Others	285	195	904	859
	<u>600</u>	<u>463</u>	<u>1,668</u>	<u>1,648</u>

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29 LOAN IMPAIRMENT CHARGES

	<u>30 Sept 2017</u> RM'000	<u>30 Sept 2016</u> RM'000
Allowance for losses on loans and advances		
Individual assessment allowance:		
- Made during the financial year	-	-
- Written back during the financial year	(33)	(121)
Collective assessment allowance:		
- Made during the financial year	80	185
- Written back during the financial year	-	-
	<u>47</u>	<u>64</u>

30 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:

	<u>Principal amount</u> RM'000	<u>Positive fair value of derivate contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>30 September 2017</u>				
Direct credit substitutes	12,167	-	12,167	10,763
Transaction-related contingent items	752	-	376	357
Short-term self-liquidating trade-related contingencies	515	-	103	95
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	787	-	394	335
- Not exceeding one year	36,857	-	7,371	5,236
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	14,047	75	88	17
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>65,125</u>	<u>75</u>	<u>20,499</u>	<u>16,803</u>

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30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	<u>Principal amount</u> RM'000	<u>Positive fair value of derivate contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>31 December 2016</u>				
Direct credit substitutes				
Transaction-related contingent items	12,746	-	12,746	10,814
Short-term self-liquidating trade-related contingencies	1,316	-	227	227
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	-	-	-	-
- Not exceeding one year	32,373	-	6,475	6,416
<u>Derivate financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	16,100	-	91	18
Interest rate related contracts:				
- Less than one year	-	-	-	-
- One year or less than five years	-	-	-	-
Total	<u>62,355</u>	<u>-</u>	<u>19,539</u>	<u>17,475</u>

31 SIGNIFICANT RELATED PARTY DISCLOSURES

Significant related party balances

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Amounts due from:</u>		
Bank balances and short-term funds with:		
- Bank of Baroda	9,687	11,430
- Indian Overseas Bank	17	14
- Andhra Bank	1	1
Total	<u>9,705</u>	<u>11,445</u>

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

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32 CAPITAL ADEQUACY

The capital adequacy ratio of the Bank are as follows:

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	330,000
Accumulated losses	(11,685)	(10,971)
Less: Deferred tax assets	-	-
	<hr/>	<hr/>
Total Common Equity Tier 1 Capital	318,315	319,029
	<hr/>	<hr/>
<u>Tier 1 capital</u>		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
	<hr/>	<hr/>
Total Tier 1 capital	-	-
	<hr/>	<hr/>
<u>Tier 2 capital</u>		
Collective impairment allowance	1,055	975
	<hr/>	<hr/>
Total Tier 2 capital	1,055	975
	<hr/>	<hr/>
Total capital base	319,370	320,004
	<hr/> <hr/>	<hr/> <hr/>
Capital ratios		
Core capital ratio	192.9%	176.1%
Risk-weighted capital ratio	193.5%	176.6%

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

	<u>30 Sept 2017</u> RM'000	<u>31 Dec 2016</u> RM'000
Credit risk	132,707	150,144
Market risk	4,629	4,120
Operational risk	27,717	26,947
	<hr/>	<hr/>
Total risk-weighted assets	165,053	181,211
	<hr/> <hr/>	<hr/> <hr/>

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33 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 September 2017:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	31,053	31,053	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	335,885	335,885	67,178	5,374
Corporates	53,128	45,109	45,109	3,609
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	1,860	1,860	1,512	121
Defaulted exposures	2,105	2,105	2,105	168
Total on-balance sheet exposures	424,031	416,012	115,904	9,272
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	88	88	17	2
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	20,411	16,786	16,786	1,343
Total off-balance sheet exposures	20,499	16,874	16,803	1,345
Total on and off-balance sheet exposures	444,530	432,886	132,707	10,617
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	4,629	-	4,629	370
(c) Operational risk			27,717	2,217
Total risk weighted assets and capital requirements			165,053	13,204

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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33 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total risk weighted assets
<u>30 Sept 2017</u>										
<u>Risk weighted</u>										
0%	31,053	-	-	-	-	-	348	-	31,401	-
20%	-	-	335,973	-	-	-	-	-	335,973	67,195
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	64,000	-	-	1,512	-	65,512	65,512
Total exposures	31,053	-	335,973	64,000	-	-	1,860	-	432,886	132,707
Risk weighted assets by exposure	-	-	67,195	64,000	-	-	1,512	-		132,707
Average risk weight	0.00%	0.00%	20.00%	100.00%	0.00%	0.00%	81.29%	0.00%		
Deduction from capital base	-	-	-	-	-	-	-	-		

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33 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2016:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<u>On-balance sheet exposures</u>				
Sovereigns/central banks	21,638	21,638	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	388,714	388,714	77,743	6,219
Corporates	58,219	48,723	48,723	3,898
Residential mortgages	-	-	-	-
Higher risk assets	-	-	-	-
Other assets	3,663	3,663	3,298	264
Defaulted exposures	2,638	2,638	2,905	232
Total on-balance sheet Exposures	474,872	465,376	132,669	10,613
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives	91	91	18	1
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,448	17,457	17,457	1,397
Total off-balance sheet exposures	19,539	17,548	17,475	1,398
Total on and off-balance sheet Exposures	494,411	482,924	150,144	12,011
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Interest rate risk	-	-	-	-
Foreign currency risk	4,120	-	4,120	330
(c) Operational risk			26,947	2,156
Total risk weighted assets and capital requirements			181,211	14,497

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33 CAPITAL ADEQUACY (CONTINUED)

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

	Exposures after netting and credit risk mitigation (RM'000)								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		Total exposures after netting and credit risk mitigation
<u>31 Dec 2016</u>										
<u>Risk weighted</u>										
0%	21,638	-	-	-	-	-	365	-	22,003	-
20%	-	-	388,805	-	-	-	-	-	388,805	77,761
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	68,285	-	-	3,298	-	71,583	71,583
150%	-	-	-	533	-	-	-	-	533	800
Total exposures	21,638	-	388,805	68,818	-	-	3,663	-	482,924	150,144
Risk weighted assets by exposure	-	-	77,761	69,085	-	-	3,298	-	-	150,144
Average risk weight	0.00%	0.00%	20.00%	100.39%	0.00%	0.00%	90.04%	0.00%	-	-
Deduction from capital base	-	-	-	-	-	-	-	-	-	-

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34 INTEREST RATE RISK

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 September 2017:

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>30 Sept 2017</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	74,840	-	74,840	3.00
Money at call and deposit placements maturing within one month	93,148	-	-	-	-	723	-	93,870	3.44
Deposits and placements with banks and other financial institutions	-	138,125	-	-	-	-	-	138,125	3.46
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	30,169	-	9,984	20,123	-	-	-	50,369	3.49
Loans, advances and financing	25,235	1,994	21,523	-	9,007	(2,526)	-	68,526	6.37
Derivatives assets	-	-	-	-	-	-	75	75	-
Other assets	-	-	-	-	-	1,152	-	1,525	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	289	-	289	-
Intangible assets	-	-	-	-	-	71	-	71	-
Total assets	148,552	140,119	31,507	20,123	9,007	74,649	75	424,031	

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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 2017</u>									
<u>Liabilities</u>									
Deposits from customers	26,066	48,396	24,514	4,890	-	-	-	103,866	2.96
Derivative liabilities	-	-	-	-	-	-	27	27	-
Other liabilities	-	-	-	-	-	1,823	-	1,823	-
Total liabilities	<u>26,066</u>	<u>48,396</u>	<u>24,514</u>	<u>4,890</u>	<u>-</u>	<u>1,823</u>	<u>27</u>	<u>105,716</u>	
On balance sheet-interest rate gap	<u>122,486</u>	<u>91,723</u>	<u>6,993</u>	<u>15,233</u>	<u>9,007</u>	<u>72,826</u>	<u>48</u>	<u>318,315</u>	

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34 INTEREST RATE RISK (CONTINUED)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2016:

	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<u>31 Dec 2016</u>									
<u>Assets</u>									
Cash and balances with banks and other financial institutions	-	-	-	-	-	92,698	-	92,698	3.00
Money at call and deposit placements maturing within one month	55,000	-	-	-	-	429	-	55,429	3.32
Deposits and placements with banks and other financial institutions	-	68,615	173,581	-	-	-	-	242,196	3.48
Financial investments available-for-sale	-	-	-	-	-	-	-	-	-
Financial investments held-to-maturity	-	-	-	20,294	-	-	-	20,294	3.51
Loans, advances and financing	28,228	10,449	15,053	-	9,606	(2,479)	-	60,857	6.39
Derivative assets	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	896	-	896	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	831	-	831	-
Intangible assets	-	-	-	-	-	1,571	-	1,571	-
Total assets	83,228	79,064	188,634	20,294	9,606	94,046	-	474,872	

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

