Company No.

911666	D

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	**30 Jun 2019** RM'000	**31 Dec 2018** RM'000
ASSETS			
Cash and short-term funds	4	80,014	84,469
Deposits and placements with banks and other financial institutions	5	334,150	227,371
Financial investments at amortised cost	6	81,105	91,253
Loans, advances and financing	7	53,339	55,692
Derivative assets	8	1	13
Other assets	9	1,857	2,610
Deferred taxation	10	263	171
Statutory deposits with Bank Negara Malaysia	11	100	100
Plant and equipment		154	197
Intangible assets		223	255
TOTAL ASSETS		551,206	462,131
LIABILITIES AND EQUITY			
Deposits from customers	12	224,831	137,444
Derivative liabilities	13	3	2
Other liabilities	14	859	930
Provision for taxation		417	400
TOTAL LIABILITIES		226,110	138,776
Share capital	15	330,000	330,000
Regulatory reserves		2,617	1,711
Accumulated losses		(7,521)	(8,356)
TOTAL EQUITY OF SHAREHOLDERS		325,096	323,355
TOTAL LIABILITIES AND EQUITY		551,206	462,131
COMMITMENTS AND CONTIGENCIES	24	49,915	52,482

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 2018.

Company No.

911666	D

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 2019

		2nd Quarter Ended		**Six Months Ended**	
		30 Jun 2019	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	16	4,951	4,024	9,995	8,091
Interest expense	17	(1,258)	(676)	(2,287)	(1,585)
Net interest income		3,693	3,348	7,708	6,506
Other operating income	18	375	356	842	741
Net income		4,068	3,704	8,550	7,247
Other operating expenses	19	(3,176)	(3,589)	(6,635)	(7,038)
		892	115	1,915	209
Write back of impairment loss on loans, advances and financing	20	37	14	42	59
Write back /(Provision) of expected credit losses for loan/financing, commitment and financial guarantee	21	-	-	18	(10)
Write back for expected credit losses for other financial investments	22	53	-	71	-
Profit before taxation		982	129	2,046	258
Taxation	23	(167)	-	(305)	-
PROFIT FOR THE FINANCIAL PERIOD / TOTAL COMPREHENSIVE PROFIT FOR THE FINANCIAL PERIOD		815	129	1,741	258

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 2018.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019

	Note	Share capital RM'000	Regulatory reserves RM'000	Accumulated losses RM'000	Total RM'000
Balance as at 1 January 2019		330,000	1,711	(8,356)	323,355
Transfer to regulatory reserves		-	906	(906)	-
Total comprehensive profit for the financial period		-	-	1,741	1,741
Balance as at 30 June 2019	15	330,000	2,617	(7,521)	325,096
Balance as at 1 January 2018		330,000	-	(10,389)	319,611
Changes on initial application of MFRS 9	2(A)(a)(i)	-	-	543	543
Transfer to regulatory reserves	2(A)(a)	-	1,466	(1,466)	-
Restated balance as at 1 January 2018		330,000	1,466	(11,312)	320,154
Transfer to regulatory reserves		-	-	-	-
Total comprehensive profit for the financial period		-	-	258	258
Balance as at 30 June 2018		330,000	1,466	(11,054)	320,412

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 2018.

Company No.

911666	D

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019

	Six Months Ended	
	30 Jun 2019 RM'000	**30 Jun 2018 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,046	258
Adjustments for:		
Depreciation of plant and equipment	49	83
Amortisation of intangible assets	32	23
Write-off of intangible assets	-	11
Unrealised loss/(gain) on revaluation of derivative instruments	13	(19)
Interest income for financial investment at amortised cost	(1,783)	(1,731)
Amortisation of discount/ (Accretion of premium paid) for financial investment	26	46
Interest income for money at call and deposit placement with financial institution	(3,274)	(5,068)
Write back of expected credit losses for other financial assets	(65)	(5)
(Write back of) /expected credit losses for loan/financing commitment and financial guarantee	(18)	10
Write back of expected credit losses for loans, advances and financing	(42)	(35)
Operating loss before working capital changes	(3,016)	(6,427)
Increase in deposits and placements with financial institution	(107,700)	(95,999)
Increase in financial investments at amortised cost	(21)	(331)
Decrease/(Increase) in other assets	753	(906)
Decrease/(Increase) in derivative assets	12	(8)
Decrease in loans, advances and financing	2,395	16,413
Increase /(Decrease) in deposits from customers	87,387	(5,005)
(Decrease)/Increase in deposits and placements of bank and other financial institution	-	(4,063)
Decrease in derivative liabilities	(12)	(8)
(Decrease)/Increase in other liabilities	(53)	121
Cash flows used in operations	(20,255)	(96,197)
Taxation paid	(380)	-
Net cash used in operating activities	(20,638)	(96,197)

Company No.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019 (CONTINUED)

		Six Months Ended	
		30 Jun 2019 RM'000	**30 Jun 2018 RM'000**
Net cash used in operating activities		(20,635)	(96,197)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(6)	(22)
Interest income received for financial investments at amortised cost		1,930	1,731
Interest income received for money at call and deposit placement with financial institution		4,256	5,068
Purchase of financial assets held-to-maturity		-	(45,014)
Purchase of financial assets at amortised cost		-	-
Proceeds of matured financial assets at amortised cost		10,000	40,000
Net cash generated from investing activities		16,180	1,762
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD		(4,455)	(94,435)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		84,469	194,533
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	4	80,014	100,098

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 2018.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019

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 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of the significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments to published standards and interpretations that are effective

The Bank has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 9 “Financial Instruments”
- MFRS 15 “Revenue from Contracts with Customers”

The Bank has adopted MFRS 9 and MFRS 15 for the first time in the 2018 financial statements, which resulted in changes in accounting policies. The detailed impact of change in accounting policies are set out in Note 2(A)(a)(i).

(a) Change in accounting policies – adoption of MFRS 9 “Financial Instruments”

The Bank has adopted MFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amount previously recognised in the financial statements. The Bank did not early adopt of MFRS 9 in previous year.

As permitted by the transitional provision of MFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities were recognised in the opening retained earnings and other reserves of the current year.

Consequently, for notes disclosure, the consequential amendments to MFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in prior year.

The adoption of MFRS 9 has resulted in changes in accounting policies for recognition classification and measurement of financial assets and financial liabilities and impairment of financial assets. MFRS 9 also significantly amends other standards dealing with financial instruments such as MFRS 7 “Financial Instruments: Disclosures”.

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Bank. Further details of the specific MFRS 9 accounting policies applied in the current period (as well as the previous MFRS 139 accounting policies applied in the comparative period) as described in more details in Note 2(B) and 2(Q).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Change in accounting policies – adoption of MFRS 9 "Financial Instruments" (continued)

(i) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Measurement category		Carrying amount			
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	Reclassifi-cations RM'000	Remeasu-ments* RM'000	New (MFRS 9) RM'000
Financial Assets						
Cash and short-term funds	Amortised cost (Loans and receivables)	Amortised cost	194,533	-	(5)	194,528
Deposits and placements with banks and other financial institutions	Amortised cost (Loans and receivables)	Amortised cost	121,636	-	-	121,636
Financial investments	Held to maturity	-	75,814	(75,814)		-
Financial investments	-	Amortised cost	-	75,814	(11)	75,803
Loans, advances and financing	Amortised cost (Loans and receivables)	Amortised cost	51,745	-	741	52,486
Derivative assets	FVTPL	FVTPL	8	-	-	8
Other assets	Amortised cost	Amortised cost	1,267	-	-	1,267
Financial Liabilities						
Deposits from customers	Amortised cost	Amortised cost	120,625	-	-	120,625
Deposits and placement of banks and other financial institutions	Amortised cost	Amortised cost	4,063	-	-	4,063
Derivative liabilities	FVTPL	FVTPL	4	-	-	4
Other liabilities	Amortised cost	Amortised cost	1,188	-	11	1,199
Provision for taxation^	-	-	-	-	171	171

*All the remeasurement are due to expected credit loss reinstated as at 1 January 2018
^Provision for taxation is not a financial liabilities

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Change in accounting policies – adoption of MFRS 9 "Financial Instruments" (continued)

Retained Earning

	RM'000
As previously reported at 31 December 2017	(10,389)
Effect of adoption of MFRS 9	
Reversal of Expected Credit Loss	543
Transfer to Regulatory Reserves	(1,466)
As restated at 1 January 2018	(11,312)

Regulatory Reserves

	RM'000
As previously reported at 31 December 2017	-
Transfer from Retained Earnings	1,466
As restated at 1 January 2018	1,466

For the Bank's business portfolio, the individually assessed allowances for impaired instruments recognised under MFRS 139 have generally been replaced by stage 3 allowances under MFRS 9, while the collective allowances for non-impaired financial instruments have generally been replaced by either stage 1 or stage 2 allowances under MFRS 9.

The following table reconciles the closing allowance for credit losses in accordance with MFRS 139 as at 31 December 2017 to the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018:

	MFRS 139 (as at 31 December 2017)	Remeasurement	MFRS 9 (as at 1 January 2018)
	RM'000	RM'000	RM'000
Loans, advances and financing	2,053	(741)	1,312
Loans, advances and financing and financial guarantee	-	11	11
Financial investments measured at amortised cost	-	11	11
Cash and short-term funds	-	5	5
Total	2,053	(714)	1,339

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(b) Adoption of MFRS 15 “Revenue from Contracts with Customers”

MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2018) replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods and services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcomes etc.) minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- There are new specific rules on licenses, warranties, non-refundable upfront fees and consignment arrangements, to name a few;
- The point at which revenue is able to recognised may shift some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice-verse; and
- As with any new Standard, there are also increased disclosures

The Bank has applied MFRS 15 with the date of initial application of 1 January 2018 by using modified retrospective transition method. Under the modified transition method, the Bank applied the new policy retrospectively only to contracts that are not completed contracts at the date of initial application.

Accordingly, the 2017 comparative information was not restated and the cumulative effect of initial application of MFRS 15 were not recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 as the financial impact is not material to the Bank. The comparative information continued to be reported under the practiced accounting policies governed under MFRS 118.

There was no material impact from the adoption of MFRS 15.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(c) Standards and amendments that have been issued but not yet effective

There are new standards and amendments to standard and interpretations are effective for financial year beginning after 1 January 2019. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

- MFRS 16 ‘Leases’ (effective from 1 January 2019) supersedes MFRS 117 ‘Leases’ and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

B FINANCIAL ASSETS

(a) Classification

Beginning 1 January 2018, the Bank classifies its financial assets in the following manner
- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised costs

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Bank settle the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement

At initial recognition, the Bank measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expenses in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Bank classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in profit and loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in profit and loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as a separate line item in the income statement.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss in the period which it arises.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objectives are solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified under the "other" business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified under the "other" business model and measured at FVTPL.

Solely payments of principal and interest (“SPPI”)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments’ cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

The Bank subsequently measures all equity investments at fair value. Where the Bank’s management has elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in “net gains and losses on financial instruments” in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Bank assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach

At each reporting date, the Bank measures ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 34 sets out the measurement details of ECL. The Bank applies 3-stage approach on debt instruments measured at amortised cost, except for those that are under simplified approach, as explained below.

Simplified approach

The Bank applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for other assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk

The Bank considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- Significant changes in internal price indicators of credit risk as a result of changes in credit risk.
- Changes in the rates or terms of an existing instrument if it is assessed as a newly originated instrument (e.g. more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage) because of changes in the credit risk
- Significant changes in external market indicators of credit risk for a financial instrument.
- Actual or expected significant change in the financial instrument's external credit rating.
- Actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.
- Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations (e.g. increase in interest rates, significant increase in unemployment rates).
- An actual or expected significant change in the operating performance of the borrower (e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure).
- Significant increases in credit risk on other financial instruments of the same borrower (e.g. CCRIS rating).
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that may result in a significant change in the borrower's ability to meet its debt obligations, (e.g. decreasing sales).
- Actual or expected significant changes in the value of the collateral supporting the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

- Actual or expected significant changes in the quality of the third-party guarantee provided.

- Actual or expected significant changes such as reductions in financial support from a parent entity/other affiliate, or in the quality of credit enhancement.

- Expected changes in the loan documentation (eg an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees) or other changes to the contractual framework of the instrument.

- Significant changes in the expected behaviour of the borrower, including changes in the payment status of borrowers in the group of similar instruments.

- Payment delays and past due information.

Definition of default and credit-impaired financial assets

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of indicators, which include amongst others, the following criteria:

- Failure to make contractual payment more than 90 days or 3 months of when they fall due.

- Bankruptcy or winding up petition.

- Rescheduled and/or restructured (R&R) for impaired accounts.

The Bank first assesses whether objective evidence of impairment exists for financial assets which are individually significant. If the Bank determines that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Write off policy

The Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.
Indicators that there is no reasonable expectation of recovery include

- ceasing enforcement activity; and
- where the Bank's recoveries method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full

Modification of financing

The Bank sometime renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

De-recognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either: -

(i) the Bank transfers substantially all the risks and rewards of ownership, or
(ii) the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Bank has not retained control.

(e) Regulatory reserve requirements

Pursuant to BNM letter dated 1 November 2017, effective 1 January 2018, the Bank shall maintain, in aggregate, stage 1 and 2 provisions and regulatory reserve of no less than 1% of all credit exposures (on and off balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from the Malaysian Government), net of Stage 3 provision.

C CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 1 month or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D PLANT AND EQUIPMENT

Plant and equipment are initially stated at cost. Subsequent to initial recognition, all plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

All repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated using the straight-line method to allocate costs to their residual values over their estimated useful lives, summarised as follows:

Office equipment and computers	20%
Motor vehicles	20%
Office renovations	20%

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E INTANGIBLE ASSETS

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

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

Cost associated with maintaining computer software are recognised as an expense as incurred.

F IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus reserve.

G PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H FINANCIAL LIABILITIES

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

The Bank's other financial liabilities include deposits from customers and other liabilities.

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

I FINANCIAL GUARANTEE CONTRACTS AND FINANCING COMMITMENTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure financing, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The expected credit losses model under MFRS 9
- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide financing/advances at a below-market interest rate, or one that can be settled net in cash or by delivering or issuing another financial instrument. The loss allowance is recognized as expected credit losses for loan/financing commitment and financial guarantee.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Interest income and interest expense

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

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

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

(ii) Fee and other income

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

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

Brokerage fees are recognised as income based on inception of such transactions.

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

K EMPLOYEE BENEFITS

(i) Short-term benefits

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

(ii) Defined contribution plans

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L OPERATING LEASE PAYMENT

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

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the lease period.

M FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). These financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

N CURRENT AND DEFERRED TAX

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N CURRENT AND DEFERRED TAX (CONTINUED)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome. Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

O DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

P OTHER ASSETS

Other assets generally arise from transactions outside the usual operating activities of the Bank.

After recognition, other assets are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note B on impairment of financial assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q ACCOUNTING POLICIES APPLICABLE UNTIL 30 JUNE 2019

(a) Classification

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classified as at initial recognition and, in the case of assets held-to maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

The Bank classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading.

(b) Subsequent measurement – Impairment

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If ‘loans, advances and financing’ or a ‘held-to-maturity investment’ has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument’s fair value using an observable market price.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q ACCOUNTING POLICIES APPLICABLE UNTIL 30 JUNE 2019 (CONTINUED)

(a) Subsequent measurement – Impairment (continued)

<u>Assets carried at amortised cost</u> (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(b) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

(c) Loans, advances and financing

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q ACCOUNTING POLICIES APPLICABLE UNTIL 30 JUNE 2019 (CONTINUED)

(c) Loans, advances and financing (continued)

For the purposes of a collective evaluation of impairment, loans, advances and financing are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors.

These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

(d) Financial Guarantee Contracts

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

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

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 34, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

4 CASH AND SHORT-TERM FUNDS

	30.06.2019 RM'000	31.12.2018 RM'000
Cash and balances with banks and other financial institutions	23,108	57,254
Money at call and deposit placements maturing within one month	56,906	27,221
Less: Expected Credit Losses		
-Stage 1	-	(6)
	80,014	84,469

5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Deposits and placements with banks and other financial institutions

	30.6.2019 RM'000	31.12.2018 RM'000
Licensed banks	334,150	227,432
Less: Expected Credit Losses		
- Stage 1	-	(61)
	334,150	227,371

(b) Movements in expected credit losses for deposits and placements with banks and other financial institutions are as following:

	Stage 1 RM'000	Total RM'000
At 1 January 2019	61	61
Changes due to changes in credit risk	(61)	(61)
At 30 June 2019	-	-

(c) Movement in the carrying amount of deposits and placements with banks and other financial institutions that contributed to changes in the expected credit losses are as follows:-

	Stage 1 RM'000	Total RM'000
At 1 January 2019	29,046	29,046
Changes due to changes in credit risk	83,624	83,624
At 30 June 2019	112,670	112,670

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	30.06.2019 RM'000	31.12.2018 RM'000
Money market instruments:		
Malaysian Government Securities	20,110	30,220
Cagamas Bond	30,394	30,425
Private Debt Securities	30,669	30,680
Less: Expected Credit Losses		
- Stage 1	(68)	(72)
	81,105	91,253

(i) Movements in expected credit losses for financial investment at amortised cost are as following:

	Stage 1 RM'000	Total RM'000
At 1 January 2019	72	72
Changes due to changes in credit risk	(4)	(4)
At 30 June 2019	68	68

(ii) Movement in the carrying amount of financial investment at amortised cost that contributed to changes in the expected credit losses are as follows:-

	Stage 1 RM'000	Total RM'000
At 1 January 2019	61,105	61,105
Changes due to changes in credit risk	(42)	(42)
At 30 June 2019	61,063	61,063

7 LOANS, ADVANCES AND FINANCING

		30.06.2019 RM'000	31.12.2018 RM'000
(i)	By type		
	Overdrafts	29,691	30,338
	Term loans/financing		
	- Other term loans/financing	9,878	10,537
	Bills receivable	8,328	8,785
	Trust receipt	6,048	6,675
	Less: Unearned interest and income	(26)	(21)
		53,919	56,314
	Less: Allowance for impairment losses		
	- Expected credit losses	(580)	(622)
	Net loans, advances and financing	53,339	55,692
(ii)	By classification		
	Gross loan, advances and financing		
	12 Months ECL (Stage 1)	53,354	53,431
	Lifetime ECL credit-impaired (Stage 3)	565	2,883
		53,919	56,314
	Less: Allowance for impairment losses		
	- 12- month ECL (Stage 1)	(15)	(57)
	- Lifetime ECL credit-impaired (Stage 3)	(565)	(565)
	Net loans, advances and financing	53,339	55,692
(iii)	By type of customer		
	Domestic business enterprises		
	- Small medium enterprises	53,919	56,314
	- Others	-	-
	Gross loans, advances and financing	53,919	56,314

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

		30.06.2019 RM'000	31.12.2018 RM'000
(iv)	By interest rate sensitivity		
	Variable rate		
	- BLR plus/minus	50,876	50,786
	- Other variable rates	3,043	5,528
	Gross loans, advances and financing	53,919	56,314
(v)	By residual contractual maturity		
	Maturity within one year	44,041	45,777
	More than five years	9,878	10,537
	Gross loans, advances and financing	53,919	56,314
(vi)	By geographical distribution		
	Malaysia		
	- Kuala Lumpur	25,214	34,858
	- Selangor	10,580	5,809
	- Perak	3,424	3,719
	- Kedah	7,032	5,841
	- Terengganu	3,728	2,667
	- Melaka	3,941	3,420
	Gross loans, advances and financing	53,919	56,314
(vii)	By sector		
	Manufacturing	22,915	17,139
	Construction	948	969
	Wholesale and retail trade, and restaurants and hotels	23,525	31,554
	Finance, insurance, real estate and business activities	3,365	3,538
	Education, health and others	3,166	3,114
	Gross loans, advances and financing	53,919	56,314

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

		30.06.2019 RM'000	31.12.2018 RM'000
(viii)	Impaired loans, advances and financing analysed by geographical distribution		
	Malaysia		
	- Kuala Lumpur	565	2,883
	Gross loans, advances and financing	565	2,883
(ix)	Impaired loans, advances and financing analysed by sector		
	Wholesale and retail trade, and restaurants and hotels	565	2,883
	Gross loans, advances and financing	565	2,883

(x) Movements in impaired loans, advances and financing (Stage 3) are as follows:

	30.06.2019 RM'000	31.12.2018 RM'000
At the beginning of the financial period	2,883	3,537
Classified as impaired during the financial period	348	42
Amount recovered	(2,666)	(696)
At the end of the financial period	565	2,883
Lifetime ECL credit-impaired (Stage 3)	(565)	(565)
Net impaired loans and advances	-	2,318
Ratio of net impaired loans and advances to gross loans and advances less lifetime ECL credit-impaired (Stage 3)	0.00%	4.16%

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

(xi) Movements in expected credit losses for loans, advances and financing are as following:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	57	-	565	622
Changes due to changes in credit risk due to transferred within stages				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Loans/financing derecognised during the period (other than write-offs)	(39)	-	-	(39)
Write back in respect of full recoveries	-	-	-	-
New loans/financing originated or purchased	3	-	-	3
Changes due to changes in credit risk	(6)	-	-	(6)
At 30 June 2019	**15**	**-**	**565**	**580**

(xiii) Movements in gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses are as following:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Gross loan, advances and financing RM'000	Total RM'000
At the beginning of the financial year	53,431	-	2,883	-	56,314
Transfer between stages					
Changes due to changes in credit risk					
- Transfer to 12-month ECL (Stage 1)	-	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-
Loans/financing derecognised during the period (other than write-offs)	(6,130)	-	-	-	(6,130)
Write back in respect of full recoveries	-	-	(2,666)	-	(2,666)
New loans/financing originated or purchased	8,418	-	348	-	8,766
Changes due to changes in credit risk	(2,365)	-	-	-	(2,365)
At the end of financial period	**53,354**	**-**	**565**	**-**	**53,919**

8 DERIVATIVE ASSETS

	30.06.2019 RM'000	31.12.2018 RM'000
Derivative assets:		
Foreign exchange forwards and spots	1	13

	Contract or underlying principal amount RM'000	Year end positive fair value RM'000
30 June 2019		
Foreign exchange forwards and spots	372	1
31 December 2018		
Foreign exchange forwards and spots	1,440	13

9 OTHER ASSETS

	30.06.2019 RM'000	31.12.2018 RM'000
Deposits	201	310
Prepayments	1,589	2,187
Other receivables	67	113
	1,857	2,610

10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

(a) The following amounts are shown in the statements of financial position after offsetting:

	30.06.2019 RM'000	31.12.2018 RM'000
Deferred tax assets	263	219
Deferred tax liabilities	-	(48)
	263	171

10 DEFERRED TAXATION (CONTINUED)

(b) The gross movement on the deferred taxation account are as follows:

	30.06.2019 RM'000	31.12.2018 RM'000
Deferred tax assets (before offsetting)		
Expected credit losses	52	18
Provision for expenses	184	201
	236	219
Property, plant and equipment and intangible assets	27	(48)
Deferred tax assets (after offsetting)	263	171
Deferred tax liabilities (before offsetting)		
Property, plant and equipment and intangible assets	-	(48)
Deferred tax liabilities (after offsetting)	-	(48)

	Expected credit losses RM'000	Provision for expenses RM'000	Accelerated tax depreciation and amortisation RM'000	Total RM'000
Deferred tax assets/(liabilities)				
At 1 January 2019	18	201	(48)	171
Credited to statement of income (Note 28)	34	(17)	75	92
At 30 June 2019	52	184	27	263
Deferred tax assets/(liabilities)				
At 1 January 2018	-	-	-	-
Credited to statement of income (Note 28)	18	201	(48)	171
At 31 December 2018	18	201	(48)	171

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12 DEPOSITS FROM CUSTOMERS

		30.06.2019 RM'000	31.12.2018 RM'000
(i)	By type of deposits		
	Demand deposits	23,418	17,373
	Savings deposits	687	741
	Fixed deposits	200,726	119,330
		224,831	137,444
(ii)	Maturity structure of fixed deposits is as follows:		
	Due within six months	99,406	40,092
	Six months to one year	96,843	79,081
	One year to three years	4,133	157
	Three years to five years	344	-
		200,726	119,330
(iii)	The deposits are sourced from the following types of customers:		
	Business enterprises	33,156	31,728
	Individuals	848	1,027
	Foreign entities	186,987	99,053
	Non-Bank Financial Institutes	3,443	5,252
	Other Entity	397	384
		224,831	137,444

13 DERIVATIVE LIABILITIES

	30.06.2019 RM'000	31.12.2018 RM'000
Derivative liabilities:		
Foreign exchange forwards and spots	3	2

	Contract or underlying principal amount RM'000	Year end negative fair value RM'000
31.03.2019		
Foreign exchange forwards and spots	2,090	3
31.12.2018		
Foreign exchange forwards and spots	1,796	2

14 OTHER LIABILITIES

	30.06.2019 RM'000	31.12.2018 RM'000
Accruals	850	858
Banker's cheque	1	7
Other payables	8	47
Expected credit loss for loan/financing commitment and financial guarantee - Note (i)	0	18
	859	930

(i) Movements in expected credit losses for loan/financing commitment and financial guarantee are as following:

	Stage 1 RM'000	Total RM'000
At 1 January 2019	18	18
New loan/financing commitment and financial guarantee		
Changes due to changes in credit risk	(18)	(18)
At 30 June 2019	-	-

15 SHARE CAPITAL

	30.06.2019 RM'000	31.12.2018 RM'000
Authorised:		
50,000,000 ordinary shares of RM10 each	500,000	500,000
Issued and fully paid:		
Balance as at beginning/end of the financial year	330,000	330,000

There were no issue of shares in the Bank during the financial period.

16 INTEREST INCOME

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Loans and advances	826	608	1,942	1,338
Money at call and deposit placements with financial institutions	3,274	2,563	6,297	5,068
Financial Investments – Held-for-maturity	851	853	1,756	1,685
Total Interest Income	4,951	4,024	9,995	8,091

17 INTEREST EXPENSE

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
Deposits and placements of banks and other financial institutions	3	14	7	52
Deposits from customers	1,255	662	2,280	1,533
	1,258	676	2,287	1,585

18 OTHER OPERATING INCOME

	2nd Quarter Ended 30 Jun 2019 RM'000	2nd Quarter Ended 30 Jun 2018 RM'000	Six Months Ended 30 Jun 2019 RM'000	Six Months Ended 30 Jun 2018 RM'000
Commission and fee income:				
Commission	58	63	180	143
Service charges and fees	119	91	227	191
Other income	1	33	2	59
	178	187	409	393
Other income:				
Foreign exchange gain/(loss)	200	199	446	359
Unrealised gain (loss)on revaluation of derivative instruments	(3)	(30)	(13)	(11)
	375	356	842	741

19 OTHER OPERATING EXPENSES

	2nd Quarter Ended 30 Jun 2019 RM'000	2nd Quarter Ended 30 Jun 2018 RM'000	Six Months Ended 30 Jun 2019 RM'000	Six Months Ended 30 Jun 2018 RM'000
Personnel costs (Note a)	1,240	1,414	2,691	2,797
Marketing expenses (Note b)	2	11	27	29
Establishments costs (Note c)	1,318	1,530	2,667	2,971
Administration and general expenses (Note d)	616	634	1,250	1,241
	3,176	3,588	6,635	7,038
(a) Personnel costs:				
- Salaries and allowances	914	954	1,874	1,898
- Pension fund contributions	121	132	255	256
- Other staff costs	205	328	562	643
	1,240	1,414	2,691	2,797
b) Marketing expenses:				
- Advertising and promotion	2	11	27	29

19 OTHER OPERATING EXPENSES (continued)

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
(c) Establishments costs:				
- Depreciation of plant and equipment	24	41	49	83
- Amortisation of intangible assets	16	9	32	23
- Rental - Office premises	116	116	241	234
- Rental - Data centre and data recovery sites	80	75	160	151
- Repair and maintenance	5	13	18	26
- Information technology expenses	902	1,081	1,803	2,086
- Telecommunication charges	155	165	319	315
- Others	20	29	45	53
	1,318	1,530	2,667	2,971

	2nd Quarter Ended		Six Months Ended	
	30 Jun 2019 RM'000	30 Jun 2018 RM'000	30 Jun 2019 RM'000	30 Jun 2018 RM'000
(d) Administration and general expenses:				
- Legal and professional fees	68	92	144	176
- Auditor's fees	60	54	119	108
- Licencing fees	45	46	95	89
- Directors' fees	47	49	93	96
- Subscriptions	158	133	332	256
- Transport and travelling	11	14	11	18
- Postage and stamps	51	41	89	88
- Security services	32	33	64	59
- General insurance	17	14	34	35
- Swift and Rentas charges	56	57	115	128
- Others	71	101	154	188
	616	634	1,250	1,241

20 WRITE-BACK /(PROVISION) OF IMPAIRMENT LOSS ON LOANS, ADVANCES AND FINANCING

	30.6.2019 RM'000	30.6.2018 RM'000
Expected credit losses / collective and impairment loss on loans and advances		
12- month ECL (Stage 1):		
- Provision made during the financial period	-	(8)
- Written back during the financial period	42	39
Lifetime ECL not credit-impaired (Stage 2):		
- Made during the financial period	-	(15)
- Written back during the financial period	-	4
Lifetime ECL credit-impaired (Stage 3):		
- Made during the financial period	-	-
- Written back during the financial period	-	39
	42	59

21 EXPECTED CREDIT LOSSES FOR LOAN/FINANCING COMMITMENT AND FINANCIAL GUARANTEE

	30.6.2019 RM'000	30.6.2018 RM'000
Expected credit loss on commitment and contingency		
12- month ECL (Stage 1):		
- Provision made during the financial period	-	(10)
- Written back during the financial period	18	-
	18	(10)

22 EXPECTED CREDIT LOSS FOR OTHER FINANCIAL INVESTMENTS

	30.6.2019 RM'000	30.6.2018 RM'000
Expected credit loss on cash and short-term funds		
12- month ECL (Stage 1):		
- Provision made during the financial period	(12)	-
- Written back during the financial year	18	-
Expected credit loss on deposits and placements with financial institution		
12- month ECL (Stage 1):		
- Provision made during the financial period	-	-
- Written back during the financial year	61	-
Expected credit loss on financial investments		
12- month ECL (Stage 1):		
- Provision made during the financial period	-	-
- Written back during the financial year	4	-
	71	-

23 TAXATION

	30.6.2019 RM'000	30.6.2018 RM'000
Malaysian income tax:		
Current year	397	-
Deferred tax	(92)	-
Tax charge for the financial year	305	-

Reconciliation between tax charge and the Malaysian tax rate is as follows:

	30.6.2019 RM'000	30.6.2018 RM'000
Profit before taxation	2,046	258
Malaysian income tax:		
Tax charge at applicable tax rate of 24% (2018: 24%)	491	62
Non-deductible expenses	184	27
Other temporary differences not recognised in prior years	(370)	(89)
Tax charge for the financial year	305	-

24 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.

The commitments and contingencies constitute the following:

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk-weighted assets RM'000
30 June 2019				
Direct credit substitutes	4,818	-	4,818	2,723
Transaction-related contingent items	383	-	192	178
Short-term self-liquidating trade-related contingencies	949	-	190	75
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	278	-	139	139
- Not exceeding one year	41,024	-	8,204	2,439
Derivative financial contracts				
Foreign exchange related contracts:				
- Less than one year	2,463	-	-	-
Total	49,915	-	13,543	5,554

24 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk-weighted assets RM'000
31 December 2018				
Direct credit substitutes	12,450	-	12,437	10,890
Transaction-related contingent items	25	-	12	2
Short-term self-liquidating trade-related contingencies	2,934	-	583	537
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-				
- Exceeding one year	278	-	139	138
- Not exceeding one year	33,559	-	6,712	4,885
Derivative financial contracts				
Foreign exchange related contracts:				
- Less than one year	3,236	13	18	4
Total	52,482	13	19,901	16,456

25 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

The related parties of, and their relationship with the Bank are as follows:

Related parties	Relationship
Bank of Baroda	Shareholder
Indian Overseas Bank	Shareholder
Andhra Bank	Shareholder
Bank of Baroda - New York Branch	Branch of the Shareholder
Bank of Baroda - Mumbai Branch	Branch of the Shareholder
Bank of Baroda - Brussels Branch	Branch of the Shareholder
Bank of Baroda - London Branch	Branch of the Shareholder
Bank of Baroda – Singapore Branch	Branch of the Shareholder
Bank of Baroda – Sydney Branch	Branch of the Shareholder
Indian Overseas Bank - Chennai Branch	Branch of the Shareholder
Indian Overseas Bank - Singapore Branch	Branch of the Shareholder
Andhra Bank - Mumbai Branch	Branch of the Shareholder

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel include all the Directors of the Bank and certain senior management personnel of the Bank.

(b) Significant related party balances

	30.06.2019 RM'000	31.12.2018 RM'000
Amounts due from/(due to):		
Cash and short-term funds with:		
- Bank of Baroda	6,489	2,586
- Indian Overseas Bank	6	7
- Andhra Bank	1	1
Deposits and placements with banks and other financial institutions		
- Bank of Baroda	112,699	29,046
Total	119,195	31,640

26 CAPITAL MANAGEMENT

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory requirements and market expectations.

The Bank's capital management process involves a careful analysis of the capital requirements to support business growth. The Bank regularly assesses its capital adequacy under various scenarios on a forward looking perspective for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

The Bank's capital requirements and capital adequacy ratios, in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF"): Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk are disclosed in Note 28.

27 CAPITAL ADEQUACY

Bank Negara Malaysia ("BNM") issued revised guidelines on the capital adequacy framework on 13 October 2015, of which took effect beginning 1 January 2016. The revised guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Bank is computed in accordance with the Capital Adequacy Framework ("Basel II - Risk-Weighted Assets"). The Standardised Approach is applied for Credit and Market Risk, whilst the Basic Indicator Approach is applied for Operational Risk ("Basel II").

The comparative capital adequacy ratios as at 30 June 2019 were based on BNM's Risk-Weighted Capital Adequacy Framework ("RWCAF") which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance.

27 CAPITAL ADEQUACY (CONTINUED)

The capital adequacy ratio of the Bank are as follows:

	30.06.2019 RM'000	31.12.2018 RM'000
Common Equity Tier 1 Capital		
Paid-up share capital	330,000	330,000
Accumulated losses	(9,263)	(8,356)
Total Common Equity Tier 1 Capital	320,737	321,644
Tier 2 capital		
Stage 1 and 2 ECL	84	214
Regulatory reserves	2,617	1,711
Total Tier 2 capital	2,701	1,925
Total capital base	323,438	323,569
Capital ratios		
Common Equity Tier 1 Capital Ratio	185.208%	189.747%
Total Capital Ratio	186.768%	190.883%

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:

	30.06.2019 RM'000	31.12.2018 RM'000
Credit risk	143,901	139,904
Market risk	792	1,851
Operational risk	28,484	27,757
Total risk-weighted assets	173,177	169,512

27 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 June 2019:

Exposure Class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a) Credit Risk				
On-balance sheet exposures				
Sovereigns/central banks	21,186	21,186	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	412,738	412,738	82,548	6,604
Corporates	114,335	102,099	53,302	4,264
Other assets	2,947	2,947	2,497	200
Defaulted exposures	-	-	-	
Total on-balance sheet Exposures	551,206	538,970	138,347	11,068
Off-balance sheet exposures				
Over-the-counter ("OTC") Derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	13,543	5,554	5,554	444
Total off-balance sheet exposures	13,543	5,554	5,554	444
Total on and off-balance sheet Exposures	564,749	544,524	143,901	11,512
	Long position	Short position		
(b) Market risk				
Foreign currency risk	792	-	792	63
(c) Operational risk			28,484	2,279
Total risk weighted assets and capital requirements			173,177	13,854

27 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
30.06.2019 Risk weighted										
0%	21,186	-	-	-	-	-	450	-	21,636	-
20%	-	-	412,738	60,995		-	-	-	473,733	94,747
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	46,658	-	-	2,497	-	49,155	49,154
150%	-	-	-	-	-	-	-	-	-	-
Total exposures	21,186	-	412,738	107,653	-	-	2,947	-	544,524	143,901
Risk weighted assets by exposure	-	-	82,548	58,856	-	-	2,497	-		143,901
Average risk weight	-	-	20.00%	54.67%	-	-	84.73%	-		
Deduction from capital base	-	-	-	-	-	-	-	-		

27 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2018:

Exposure Class		Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
(a)	Credit Risk				
	On-balance sheet exposures				
	Sovereigns/central banks	31,122	31,122	-	-
	Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	310,598	310,598	62,120	4,970
	Corporates	114,407	103,445	54,618	4,370
	Other assets	3,686	3,686	3,233	259
	Defaulted exposures	2,318	2,318	3,477	278
	Total on-balance sheet Exposures	462,131	451,169	123,448	9,877
	Off-balance sheet exposures				
	Over-the-counter ("OTC") Derivatives	18	18	4	-
	Credit derivatives	-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	19,883	16,452	16,452	1,316
	Total off-balance sheet exposures	19,901	16,470	16,456	1,316
	Total on and off-balance sheet Exposures	482,032	467,639	139,904	11,193
		Long position	Short position		
(b)	Market risk				
	Foreign currency risk	1,851	-	1,851	148
(c)	Operational risk			27,757	2,221
	Total risk weighted assets and capital requirements			169,512	13,562

27 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
31.12.2018 Risk weighted										
0%	31,122	-	-	-	-	-	453	-	31,575	-
20%	-	-	310,616	61,034		-	-	-	371,650	74,331
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	58,863	-	-	3,233	-	62,096	62,096
150%	-	-	-	2,318	-	-	-	-	2,318	3,477
Total exposures	31,122	-	310,616	122,215	-	-	3,686	-	467,639	139,904
Risk weighted assets by exposure	-	-	62,124	74,547	-	-	3,233	-		139,904
Average risk weight	-	-	20.00%	60.99%	-	-	87.71%	-		
Deduction from capital base	-	-	-	-	-	-	-	-		

28 FINANCIAL RISK MANAGEMENT

A Liquidity risk

Contractual maturity of assets and liabilities

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions:

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
30 June 2019								
Assets								
Cash and short-term funds	23,108	56,906	-	-	-	-	-	80,014
Deposits and placements with banks and other financial institutions	-	-	132,548	201,602	-	-	-	334,150
Financial investments at amortised cost	-	-	10,177	5,058	65,870	-	-	81,105
Loans, advances and financing	12,430	6,093	6,552	7,587	10,799	9,878	-	53,339
Derivative assets	1	-	-	-	-	-	-	1
Other assets	-	-	-	-	-	-	1,857	1,857
Deferred taxation	-	-	-	-	-	-	263	263
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	154	154
Intangible assets	-	-	-	-	-	-	223	223
	35,539	62,999	149,276	214,248	76,669	9,878	2,597	551,206

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions: (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
30 June 2019								
Liabilities								
Deposits from customers	29,569	23,097	8,263	62,581	96,844	4,477	-	224,831
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative liabilities	3	-	-	-	-	-	-	3
Other liabilities	85	766	2	6	-	-	-	859
Provision for taxation	-	-	-	-	417	-	-	417
	29,657	23,863	8,265	62,587	97,261	4,477	-	226,110
Net liquidity gap	5,882	39,136	141,011	151,661	(20,592)	5,401	2,597	325,096

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions: (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31 December 2018								
Assets								
Cash and short-term funds	57,254	27,215	-	-	-	-	-	84,469
Deposits and placements with banks and other financial institutions	-	-	20,115	207,256	-	-	-	227,371
Financial investments at amortised cost	-	-	10,120	10,172	70,961	-	-	91,253
Loans, advances and financing	9,743	5,695	6,964	16,376	6,379	10,535	-	55,692
Derivative assets	1	10	2	-	-	-	-	13
Other assets	-	-	-	-	-	-	2,610	2,610
Deferred taxation	-	-	-	-	-	-	171	171
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	197	197
Intangible assets	-	-	-	-	-	-	255	255
	66,998	32,920	37,201	233,804	77,340	10,535	3,333	462,131

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions: (continued)

	Up to 1 week RM'000	>1 week to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31 December 2018								
Liabilities								
Deposits from customers	21,587	5,894	14,833	15,892	79,081	157	-	137,444
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-
Derivative liabilities	2	-	-	-	-	-	-	2
Other liabilities	-	638	128	146	18	-	-	930
Provision for taxation	400	-	-	-	-	-	-	400
	21,989	6,532	14,961	16,038	79,099	157	-	138,776
Net liquidity gap	45,009	26,388	22,240	217,766	(1,761)	10,380	3,333	323,355

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 June 2019:

	Non-trading book								
30 June 2019	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and balances with banks and other financial institutions	14,399	-	-	-	-	8,709	-	23,108	3.20
Money at call and deposit placements maturing within one month	56,906	-	-	-	-	-	-	56,906	3.67
Deposits and placements with banks and other financial institutions	-	132,548	201,602	-	-	-	-	334,150	3.79
Financial investments at amortised cost	-	10,177	5,058	65,870	-	-	-	81,105	4.30
Loans, advances and financing	18,523	6,552	18,387	3,270	6,607	-	-	53,339	6.34
Derivative assets	-	-	-	-	-	-	1	1	
Other assets	-	-	-	-	-	1,857	-	1,857	-
Deferred taxation	-	-	-	-	-	263	-	263	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	154	-	154	-
Intangible assets	-	-	-	-	-	223	-	223	-
Total assets	89,828	149,277	225,047	69,140	6,607	11,306	1	551,206	

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 June 2019: (Continue)

	Non-trading book								
30 June 2019	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	52,666	8,263	159,425	4,477	-	-	-	224,831	3.08
Derivative liabilities	-	-	-	-	-	-	3	3	
Other liabilities	-	-	-	-	-	417	-	417	
Provision for taxation	-	-	-	-	-	859	-	859	
Total liabilities	52,666	8,263	159,425	4,477	-	1,276		226,110	
On balance sheet-interest rate gap	37,162	141,014	65,622	64,663	6,607	10,030	3	325,096	

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2019 (CONTINUED)

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2018:

31 December 2018	Non-trading book Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and balances with banks and other financial institutions	53,310	-	-	-	-	3,938	-	57,248	3.25
Money at call and deposit placements maturing within one month	27,221	-	-	-	-	-	-	27,221	4.01
Deposits and placements with banks and other financial institutions	-	20,115	207,256	-	-	-	-	227,371	4.14
Financial investments at amortised cost	-	10,120	10,172	70,961	-	-	-	91,253	4.24
Loans, advances and financing	15,438	6,964	22,753	3,734	6,803	-	-	55,692	6.37
Derivative assets	-	-	-	-	-	-	13	13	
Other assets	-	-	-	-	-	2,610	-	2,610	-
Deferred taxation	-	-	-	-	-	171	-	171	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	100	-	100	-
Plant and equipment	-	-	-	-	-	197	-	197	-
Intangible assets	-	-	-	-	-	255	-	255	-
Total assets	95,969	37,199	240,181	74,695	6,803	7,271	13	462,131	

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2018: (Continue)

	Non-trading book								
31 December 2018	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Liabilities									
Deposits from customers	27,481	14,833	94,973	157	-	-	-	137,444	3.22
Derivative liabilities	-	-	-	-	-	-	2	2	-
Other liabilities	-	-	-	-	-	930	-	930	-
Provision for taxation	-	-	-	-	-	400	-	400	-
Total liabilities	27,481	14,833	94,973	157	-	1,330	2	138,776	
On balance sheet-interest rate gap	68,488	22,366	145,208	74,538	6,803	5,941	11	323,355	