

Registration No.

201001027747 (911666-D)

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL THIRD QUARTER 30 SEPTEMBER 2022**

Registration No.

201001027747 (911666-D)

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	<u>Note</u>	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
<b>ASSETS</b>			
Cash and short-term funds	4	96,302	33,088
Deposits and placements with banks and other financial institutions	5	201,621	251,954
Financial investments at amortised cost	6	81,457	106,706
Loans, advances, and financing	7	17,964	16,059
Derivative assets	8	1	-
Other assets	9	2,952	2,621
Deferred taxation	10	136	136
Tax recoverable		612	548
Statutory deposits with Bank Negara Malaysia	11	100	100
Plant and equipment		227	144
Intangible assets		1,144	1,682
Right-of-use assets	12	1,299	1,604
<b>TOTAL ASSETS</b>		<u>403,815</u>	<u>414,642</u>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	13	80,400	87,814
Derivative liabilities	14	-	-
Other liabilities	15	692	861
Lease liabilities	16	1,278	1,567
<b>TOTAL LIABILITIES</b>		<u>82,370</u>	<u>90,242</u>
Share capital	17	330,000	330,000
Regulatory reserves		559	1,090
Accumulated losses		(9,114)	(6,690)
<b>TOTAL EQUITY OF SHAREHOLDERS</b>		<u>321,445</u>	<u>324,400</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>403,815</u>	<u>414,642</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	26	<u>16,855</u>	<u>19,463</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 2021

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

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022

		3rd Quarter Ended		Nine Months Ended	
		30 Sep	30 Sep	30 Sep	30 Sep
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	18	2,531	2,276	7035	7,233
Interest expense	19	(206)	(311)	(650)	(1,039)
Net interest income		2,325	1,965	6,385	6,194
Other operating income	20	203	346	586	751
Net income		2,528	2,311	6,971	6,945
Other operating expenses	21	(3,389)	(3,154)	(9,930)	(8,935)
		(861)	(843)	(2,959)	(1,990)
Write-back of impairment losses on loans and advances	22	(3)	6	(3)	61
Write-back of impairment losses on commitments and financial guarantees	23	3	-	4	93
Write-back of impairment losses on other financial investments	24	-	104	3	546
(Loss) / Profit before taxation		(861)	(733)	(2,955)	(1,290)
Taxation	25	-	-	-	-
(LOSS) / PROFIT FOR THE FINANCIAL PERIOD / TOTAL COMPREHENSIVE (LOSS) / PROFIT FOR THE FINANCIAL PERIOD		(861)	(733)	(2,955)	(1,290)

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 2021

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

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022

	<u>Note</u>	<u>Share capital</u>	<u>Regulatory reserves</u> RM'000	<u>Accumulated losses</u> RM'000	<u>Total</u> RM'000
Balance as at 1 January 2022		330,000	1,090	(6,690)	324,400
Transfer from regulatory reserves		-	(531)	531	-
Total comprehensive loss for the financial period		-	-	(2,955)	(2,955)
Balance as at 30 SEPTEMBER 2022		<u>330,000</u>	<u>559</u>	<u>(9,114)</u>	<u>321,445</u>
Balance as at 1 January 2021		330,000	217	(3,164)	327,053
Transfer from regulatory reserves		-	873	(873)	-
Total comprehensive profit for the financial period		-	-	(2,653)	(2,653)
Balance as at 31 December 2021		<u>330,000</u>	<u>1,090</u>	<u>(6,690)</u>	<u>324,400</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 2021

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022

	1 Jan 2022 To <u>30 Sep 2022</u> RM'000	1 Jan 2021 To <u>30 Sep 2021</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(2,955)	(1,290)
<i>Adjustments for:</i>		
Depreciation of plant and equipment	93	71
Amortisation of intangible assets	538	321
Depreciation of right of use assets	422	444
Unrealised loss on revaluation of derivative instruments	-	2
Loss on disposal of assets	6	-
Interest expense on lease liability	32	51
Interest income for financial investment at amortised cost	(2,346)	(1,305)
Net amortisation of discount for the financial investment at amortised cost	349	83
Interest income for money at call and deposit placements with financial institutions	(4,355)	(5,112)
(Write-back of) / allowance for impairment losses on other financial investments	(3)	(546)
(Write-back of) / allowance for impairment losses on loans commitments and financial guarantees	(4)	(93)
(Write-back of) / allowance for impairment losses on loans and advances	3	(61)
Operating loss before working capital changes	<u>(8,220)</u>	<u>(7,435)</u>
<i>Decrease / (Increase) in operating assets</i>		
Deposits and placements with financial institutions	50,619	69,441
Financial investments at amortised cost	(35,798)	-
Other assets	(331)	(575)
Loans and advances	(1,908)	16,544
Right-of-use assets	-	-
<i>Increase / (Decrease) in operating liabilities</i>		
Deposits from customers	(7,414)	(9,920)
Other liabilities	(165)	11
Cash flows generated from/(used in) operations	<u>(3,217)</u>	<u>68,066</u>
Taxation paid	(64)	(272)
Net cash generated from/(used in) operating activities	<u>(3,281)</u>	<u>67,794</u>

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STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022

	1 Jan 2022 To 30 Sep 2022 RM'000	1 Jan 2021 To 30 Sep 2021 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(182)	(56)
Purchase of intangible assets	-	(2,046)
Interest income received for financial investments at amortised cost	3,046	1,904
Interest income received for money at call and deposit placements with financial institutions	4,069	5,481
Purchase of financial assets at amortised cost	(100,000)	(66,217)
Proceeds of matured financial assets at amortised cost	160,000	35,000
Net cash generated from investing activities	<u>66,933</u>	<u>(25,934)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of principal lease liabilities	(438)	(483)
Net cash used in financing activities	<u>(438)</u>	<u>(483)</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>	<b>63,214</b>	<b>41,377</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>33,088</b>	<b>39,927</b>
<b>EXPECTED CREDIT LOSSES</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>4</b> <u>96,302</u>	<u>81,304</u>

(i) An analysis of changes in liabilities arising from financing activity is as follows:

	RM'000	RM'000
At 1 January	1,567	1,635
- Repayment of lease liability	(438)	(483)
- Finance cost	32	51
- Origination of new leases	117	-
At end of financial period	<u>1,278</u>	<u>1,203</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022.**

**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.

The financial statements were authorised for issue by the Board of Directors in accordance with their resolution on 18 Oct 2022.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

**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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank

The Bank has adopted Amendments to MFRS 16 'COVID-19-Related Rent Concessions' and Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2' for the first time for the financial year beginning 1 January, which resulted in changes in accounting policies.

(i) Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

On adoption of the MFRS 16 amendment, the Bank is not required to assess whether a rent concession for payments due on or before 30 June 2021 that occurs as a direct consequence of the COVID-19 pandemic and meets specified conditions is a lease modification.

The Bank accounts for such COVID-19 related rent concessions as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs

In accordance with the transitional provisions provided in the MFRS16 amendment, the comparative information for December 2020 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in MFRS 16. The cumulative effects of initially applying the MFRS 16 amendment were adjusted against retained earnings as at 1 January 2021



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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank (continued)

(ii) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform – Phase 2'

The Phase 1 amendments, which was effective on 1 January 2020, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide practical expedient allowing entities to update the effective interest rate (for instruments measured at amortised cost, lessees and insurers applying the temporary exemption from MFRS 9) to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The Phase 2 amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

The financial assets and financial liabilities as at 31 December are not exposed to any IBOR related exposures.

(b) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the financial statements of the Bank.

(i) Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022)

Clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank (continued)

(ii) Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022)

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022)

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

(iv) Amendments to MFRS 137 'onerous contracts- cost of fulfilling a contract' (effective 1 January 2022)

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(c) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank (continued)

(v) Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023)

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

(vi) Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS

(a) Classification

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 settles 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.

(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, transaction 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 or 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 Statement of Comprehensive Income.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Debt instruments (continued)

(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 or 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 operating income and impairment expenses are presented as a separate line item in the Statement of Comprehensive Income.

(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.

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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

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. However, the Bank does not hold any equity instruments as at the reporting date. 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 Statement of Comprehensive Income.

(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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

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 33 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.

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.

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FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

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 (example 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 (example increase in interest rates, significant increase in unemployment rates).
- An actual or expected significant change in the operating performance of the borrower (example 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 (example 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 (example decreasing sales).
- Actual or expected significant changes in the value of the collateral supporting the obligation.



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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 (example 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.
- Borrowers who have ceased business operations.
- Borrowers who have defaulted on the credit facilities with other financial institutions with 3 months or more overdue.

The Bank also assesses whether objective evidence of impairment exists for financial assets which are individually significant, which include:

- Significant financial difficulty of the debtor.
- High probability of bankruptcy or other financial reorganizations of the borrower.
- For economic or legal reasons relating to the borrower's financial difficulty, granting of a concession that the Bank would not otherwise consider.

Insignificant delays or shortfalls, when considered in isolation would not automatically cause a borrower to be considered impaired.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

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.

Write off policy

The Bank writes 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.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Modification of financing (continued)

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 assessed 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).

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 2019, effective 1 January 2020, 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.

Pursuant to BNM's Letter dated 24 March 2020 on "Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak", banking institutions are allowed to drawdown prudential buffers; temporarily reducing the regulatory reserves held against expected loss to 0% and to gradually reinstate the buffer by 30 September 2021. Presently, the Bank is still maintaining its regulatory reserves buffer of 1%.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 furniture & fittings	7 years
Motor vehicles	5 years
Computers	3 years
Office renovations	7 years

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

**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.

During the year, management has revised the useful life of Intangible assets of the Bank comprise computer software and are amortised over their finite useful lives estimated at 3 – 10 years on a straight-line basis.

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

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

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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

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**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. The only financial liabilities at fair value through profit or loss are derivative liabilities, see accounting policy O.

Financial liabilities are de-recognised when extinguished.

The Bank's other financial liabilities include deposits from customers, lease liabilities 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 ACCOUNTING BY LESSEE**

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease.

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I ACCOUNTING BY LESSEE (CONTINUED)

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Bank presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the interest expenses in Statement of Comprehensive Income.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I ACCOUNTING BY LESSEE (CONTINUED)

Reassessment of lease liabilities

The Bank is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in Statement of Comprehensive Income.

J FINANCIAL GUARANTEE CONTRACTS AND LOAN 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 commitments and financial guarantees.



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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K 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 Statement of Comprehensive Income 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 liabilities.

For the credit impaired financial assets, the effective Interest rate is applied to the net carrying amount of the financial assets (after deduction of the expected credit losses).

**(ii) Fee and other income**

Fees and commissions are recognised as income when all condition precedents are fulfilled.

Guarantee fees are recognised as income based on performance obligations satisfied.

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

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

**L 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.

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Indian Rupees	0.0569	0.0561
Singapore Dollars	3.2365	3.0896
United States Dollars	4.6410	4.1760
Hong Kong Dollars	0.5912	0.5355
British Pounds	5.1429	5.6361
Euro	4.5482	4.7256

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**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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 values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O DERIVATIVES (CONTINUED)

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Bank has not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

P OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Q SHARE CAPITAL

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

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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.

Expected credit losses (ECL)

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 (example the likelihood of customers defaulting and the resulting losses)

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.

The impact of the COVID-19 pandemic remains uncertain and has directly and indirectly impacted the global economy, markets and the Bank's borrowers and customers. In arriving at the estimated ECL, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining the collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

In particular, the Bank has incorporated the following estimates, assumptions and judgements arising from the COVID-19 pandemic and the associated payment support packages in the measurement of ECL:

- Forward looking macroeconomic assumptions and probability-weighted scenarios relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic related restrictions, the anticipated impact of government stimulus and regulatory actions.
- Consistent with the industry guidance, the Bank's borrowers and customers who have received repayment supports, including restructuring and rescheduling of repayment terms and payments moratorium remain in their existing stages, unless they have been individually identified as not viable or with subsequent triggers of significant increase in credit risk from their pre-COVID-19 status.

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4 CASH AND SHORT-TERM FUNDS

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Cash and balances with banks and other financial institutions	6,453	4,384
Money at call and deposit placements maturing within one month	89,849	28,704
Less: Expected Credit Losses - Stage 1	-	-
	<u>96,302</u>	<u>33,088</u>

(i) Movements in expected credit losses for cash and short-term funds are as following:

	<u>30.09.2022</u> Stage 1 RM'000	<u>31.12.2021</u> Stage 1 RM'000
At the beginning of the period	-	1
Financial assets derecognised (other than write-offs)	-	(1)
New financial assets originated or purchased	-	-
	<u>-</u>	<u>-</u>
At the end of the period	<u>-</u>	<u>-</u>

5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Licensed banks	201,621	251,954
Less: Expected Credit Losses - Stage 1	-	-
	<u>201,621</u>	<u>251,954</u>

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**5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS  
(CONTINUED)**

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

	<u>30.09.2022</u> Stage 1 RM'000	<u>31.12.2021</u> Stage 1 RM'000
At the beginning of the period	-	-
Financial assets derecognised (other than write-offs)	-	-
New financial assets originated or purchased	-	-
	<hr/>	<hr/>
At the end of the period	-	-
	<hr/> <hr/>	<hr/> <hr/>

**6 FINANCIAL INVESTMENTS AT AMORTISED COST**

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Money market instruments:		
Malaysian Government Securities	51,311	41,394
Cagamas Bonds	10,130	30,056
Private Debt Securities	-	10,247
Negotiable Instrument of Deposits	20,033	25,030
Less: Expected Credit Losses		
- Stage 1	(17)	(21)
	<hr/>	<hr/>
	81,457	106,706
	<hr/> <hr/>	<hr/> <hr/>

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

	<u>30.09.2022</u> Stage 1 RM'000	<u>31.12.2021</u> Stage 1 RM'000
At the beginning of the period	21	605
Financial assets derecognised (other than write-offs)	(4)	(61)
New financial assets originated or purchased	-	21
Changes due to changes in credit risk	-	(544)
	<hr/>	<hr/>
At the end of the period	17	21
	<hr/> <hr/>	<hr/> <hr/>

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7 LOANS AND ADVANCES

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
(i) By type		
Overdrafts	10,830	7,147
Term loans	1,816	4,033
Bills receivable	-	-
Trust receipt	5,327	4,885
Less: Unearned interest and income	-	-
	<hr/>	<hr/>
Gross loan and advances	17,973	16,065
Less: Allowance for impairment losses		
- Expected credit losses	(9)	(6)
	<hr/>	<hr/>
Net loans and advances	<u>17,964</u>	<u>16,059</u>
(ii) The loans and advances are disbursed to the following types of customers:		
Domestic business enterprises		
- Small medium enterprises	17,973	16,065
	<hr/>	<hr/>
Gross loans and advances	<u>17,973</u>	<u>16,065</u>
(iii) Loans and advances analysed by interest rate/profit rate sensitivity are as follows:		
Variable rate		
- BLR plus/minus	17,107	15,229
- Other variable rates	866	836
	<hr/>	<hr/>
Gross loans and advances	<u>17,973</u>	<u>16,065</u>



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7 LOANS AND ADVANCES (CONTINUED)

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
(iv) The maturity structure of the loans and advances is as follows:		
Maturity within		
- One to five years	16,596	13,489
- More than five years	1,377	2,576
	<hr/>	<hr/>
Gross loans and advances	17,973	16,065
	<hr/> <hr/>	<hr/> <hr/>
(v) Loans and advances analysed by their geographical distribution are as follows:		
Malaysia		
- Kuala Lumpur	4,277	5,551
- Selangor	8896	7,284
- Perak	-	-
- Kedah	4,800	3,230
- Terengganu	-	-
- Melaka	-	-
	<hr/>	<hr/>
Gross loans and advances	17,973	16,065
	<hr/> <hr/>	<hr/> <hr/>
(vi) Loans and advances analysed by their sector are as follows:		
Manufacturing	9,997	7,408
Construction	1,229	1,268
Wholesale and retail trade, and restaurants and hotels	1,640	3,382
Finance, insurance, real estate and business activities	1,434	1,150
Education, health, and others	3,673	2,857
	<hr/>	<hr/>
Gross loans and advances	17,973	16,065
	<hr/> <hr/>	<hr/> <hr/>

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7 LOANS AND ADVANCES (CONTINUED)

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
(vii) Impaired loans and advances analysed by geographical distribution		
Malaysia		
- Kuala Lumpur	-	-
	_____	_____
Gross loans and advances	-	-
	=====	=====
(viii) Impaired loans and advances analysed by sector		
Wholesale and retail trade, and restaurants and hotels	-	-
	_____	_____
Gross loans and advances	-	-
	=====	=====

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7 LOANS AND ADVANCES (CONTINUED)

(ix) Movements in expected credit losses for loans and advances are as follows:

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2022	6	-	-	6
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Financial assets derecognised	-	-	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit Risk	3	-	-	3
At 30 September 2022	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2021	105	-	-	105
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Financial assets derecognised	(68)	-	-	(68)
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	(31)	-	-	(31)
At 31 December 2021	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

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**7 LOANS AND ADVANCES (CONTINUED)**

(x) Movements in gross carrying amount of loans and advances that contributed to changes in the expected credit losses are as follows:

	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
At 1 January 2022	14,797	1,268	-	16,065
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)	-	-	-	-
Financial assets derecognised	(1,860)	-	-	(1,860)
Write back in respect of full Recoveries	-	-	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	3,807	(39)	-	-
At 30 September 2022	<u>16,744</u>	<u>1,229</u>	<u>-</u>	<u>17,973</u>
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
At 1 January 2021	31,303	1,363	-	32,666
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)	-	-	-	-
Financial assets derecognised	(12,315)	(37)	-	(12,352)
Write back in respect of full recoveries	-	-	-	-
New financial assets originated	836	-	-	836
Changes due to changes in credit risk	(5,027)	(58)	-	(5,085)
At 31 December 2021	<u>14,797</u>	<u>1,268</u>	<u>-</u>	<u>16,065</u>

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8 DERIVATIVE ASSETS

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Derivative assets:		
Foreign exchange forwards and spots	1	-
	<u>          </u>	<u>          </u>
	Contract or underlying <u>principal amount</u> RM'000	Year end positive <u>fair value</u> RM'000
<u>30.09.2022</u>		
Foreign exchange forwards and spots	1,114	-
	<u>          </u>	<u>          </u>
<u>31.12.2021</u>		
Foreign exchange forwards and spots	-	-
	<u>          </u>	<u>          </u>

9 OTHER ASSETS

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Deposits	221	202
Prepayments	2,730	2,418
Other receivables	1	1
	<u>          </u>	<u>          </u>
	<u>2,952</u>	<u>2,621</u>

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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:

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Deferred tax assets	136	136
Deferred tax liabilities	-	-
	<u>136</u>	<u>136</u>

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

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
<u>Deferred tax assets (before offsetting)</u>		
Expected credit losses	26	26
Lease liabilities	376	376
Provision for expenses	220	220
Plant and equipment and intangible assets	-	-
	<u>622</u>	<u>622</u>
<u>Deferred tax assets (before offsetting)</u>	622	622
Plant and equipment and intangible assets	(101)	(101)
Right-of-use assets	(385)	(385)
	<u>136</u>	<u>136</u>
Deferred tax assets (after offsetting)	136	136
<u>Deferred tax liabilities (before offsetting)</u>		
Plant and equipment and intangible assets	(101)	(101)
Right-of-use assets	(385)	(385)
	<u>(486)</u>	<u>(486)</u>
Deferred tax liabilities (before offsetting)	(486)	(486)

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.

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12	RIGHT-OF-USE ASSETS	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
	As at the beginning of the financial period	1,604	1,727
	Origination of new leases	117	-
	Lease modifications	-	538
	Depreciation charge for the financial period	(422)	(661)
	As at the end of the financial period	<u>1,299</u>	<u>1,604</u>
13	DEPOSITS FROM CUSTOMERS	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
(i)	By type of deposits		
	Demand deposits	20,545	22,321
	Savings deposits	441	590
	Fixed deposits	59,414	64,903
		<u>80,400</u>	<u>87,814</u>
(ii)	Maturity structure of fixed deposits is as follows:		
	Due within six months	3,901	16,873
	Six months to one year	34,428	47,659
	One year to three years	21,085	371
		<u>59,414</u>	<u>64,903</u>

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13 DEPOSITS FROM CUSTOMERS (CONTINUED)

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
(iii) The deposits are sourced from the following types of customers:		
Business enterprises	11,884	9,540
Individuals	982	1,244
Foreign entities	63,439	72,943
Non-Bank Financial Institutions	3,670	3,626
Other entities	425	461
	<u>80,400</u>	<u>87,814</u>

14 DERIVATIVE LIABILITIES

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Derivative liabilities:		
Foreign exchange forwards and spots	-	-
	<u>-</u>	<u>-</u>
	Contract or underlying <u>principal amount</u> RM'000	Year end negative <u>fair value</u> RM'000
<u>30.09.2022</u>		
Foreign exchange forwards and spots	-	-
	<u>-</u>	<u>-</u>
<u>31.12.2021</u>		
Foreign exchange forwards and spots	-	-
	<u>-</u>	<u>-</u>



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## 15 OTHER LIABILITIES

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Accruals	470	497
Other payables	219	358
Expected credit loss for loan commitments and financial guarantees - Note (i)	3	6
	<u>692</u>	<u>861</u>

- (i) Movements in expected credit losses for loan commitments and financial guarantees are as follows:

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2022	6	-	-	6
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Changes due to changes in credit risk	(3)	-	-	(3)
At 30 September 2022	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2021	93	-	-	93
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Changes due to changes in credit risk	(87)	-	-	(87)
At 31 December 2021	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>

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16 LEASE LIABILITIES

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Lease liabilities	1,278	1,567
Scheduled repayment of lease liabilities:		
- Within one year	440	486
- One year to three years	838	803
- More than three years	-	278
	<u>1,278</u>	<u>1,567</u>

At 31 December 2021, the short term and low-value leases expenses that are not included in lease liabilities amounted to RM151,200 (June 2021: RM151,200) and RM2,214 (June 2021: RM2,157) respectively.

17 SHARE CAPITAL

	<u>30.09.2022</u>		<u>31.12.2021</u>	
	Number of ordinary shares		Number of ordinary shares	
	'000	RM'000	'000	RM'000
Issued and fully paid:				
At beginning/end of the financial year	33,000	330,000	33,000	330,000
	<u>33,000</u>	<u>330,000</u>	<u>33,000</u>	<u>330,000</u>

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18 INTEREST INCOME

	3rd Quarter Ended		Nine Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Loans and advances	254	221	683	899
Money at call and deposit placements with financial institutions	1,641	1,578	4,355	5,112
Financial investments at amortised cost	783	477	2,364	1,222
Net amortisation of discount for financial investment at amortised cost	(147)	-	(367)	-
<b>Total Interest Income</b>	<b>2,531</b>	<b>2,276</b>	<b>7,035</b>	<b>7,233</b>

19 INTEREST EXPENSE

	3rd Quarter Ended		Nine Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	-	1	1	2
Deposits from customers	196	295	617	986
Lease liability	10	15	32	51
	<u>206</u>	<u>311</u>	<u>650</u>	<u>1,039</u>

20 OTHER OPERATING INCOME

	3rd Quarter Ended		Nine Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	34	39	78	92
Service charges and fees	56	37	177	152
Other income	-	1	-	1
	<u>90</u>	<u>77</u>	<u>255</u>	<u>245</u>
<u>Other income:</u>				
Foreign exchange gain	112	268	330	508
Unrealised gain (loss) on revaluation of derivative instruments	1	1	1	(2)
	<u>203</u>	<u>346</u>	<u>586</u>	<u>751</u>

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21 OTHER OPERATING EXPENSES

	3rd Quarter Ended		Nine Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	1,282	1,281	3,744	3,571
Marketing expenses (Note b)	18	-	33	18
Establishments costs (Note c)	1,475	1,341	4,378	3,788
Administration and general expenses (Note d)	614	532	1,775	1,558
	<u>3,389</u>	<u>3,154</u>	<u>9,930</u>	<u>8,935</u>
<b>a) <u>Personnel costs:</u></b>				
- Salaries and allowances	905	940	2,752	2,634
- Pension fund contributions	133	145	382	408
- Other staff costs	244	196	610	529
	<u>1,282</u>	<u>1,281</u>	<u>3,744</u>	<u>3,571</u>
<b>b) <u>Marketing expenses:</u></b>				
- Advertising and promotion	18	-	33	18
	<u>18</u>	<u>-</u>	<u>33</u>	<u>18</u>
<b>(c) <u>Establishments costs:</u></b>				
- Depreciation of plant and equipment	35	23	93	71
- Amortisation of intangible assets	179	190	539	321
- Depreciation of right-of-use assets	127	136	422	444
- Rental - Office premises	-	-	-	-
- Rental - Data centre and data recovery sites	80	82	241	242
- Repair and maintenance	21	11	56	33
- Information technology expenses	893	759	2,610	2,259
- Telecommunication charges	117	116	348	352
- Others	23	24	69	66
	<u>1,475</u>	<u>1,341</u>	<u>4,378</u>	<u>3,788</u>

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21 OTHER OPERATING EXPENSES (continued)

	3rd Quarter Ended		Nine Months Ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
d) <u>Administration and general expenses:</u>				
- Legal and professional fees	57	45	137	94
- Auditor's fees	57	58	170	175
- Licencing fees	45	44	134	133
- Directors' fees	60	55	179	166
- Subscriptions	181	169	539	507
- Transport and travelling	-	-	-	-
- Postage and stamps	21	11	62	42
- Security services	44	33	112	94
- General insurance	17	17	50	50
- Swift and Rentas charges	64	62	191	183
- Others	68	37	201	114
	<u>614</u>	<u>532</u>	<u>1,775</u>	<u>1,558</u>

22 (ALLOWANCE FOR) / WRITE-BACK OF EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

	Nine Months Ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
12- month ECL (Stage 1):		
- Made during the financial year	(3)	-
- Written back during the financial year	-	61
	<u>(3)</u>	<u>61</u>

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**23 ALLOWANCES FOR EXPECTED CREDIT LOSSES ON LOAN COMMITMENTS AND FINANCIAL GUARANTEES**

	Nine Months Ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
12- month ECL (Stage 1):		
- Made during the financial year	-	-
- Written back during the financial year	4	93
	<u>4</u>	<u>93</u>

**24 (ALLOWANCE FOR) / WRITE-BACK OF EXPECTED CREDIT LOSSES ON OTHER FINANCIAL INVESTMENTS**

	Nine Months Ended	
	30.09.2022	30.09.2021
	RM'000	RM'000
Expected credit loss on cash and short-term funds		
12- month ECL (Stage 1):		
- Made during the financial year	-	(1)
- Written back during the financial year	-	-
Expected credit loss on deposits and placements with financial institutions		
12- month ECL (Stage 1):		
- Made during the financial year	-	-
- Written back during the financial year	-	1
Expected credit loss on financial investments at amortised cost		
12- month ECL (Stage 1):		
- Made during the financial year	-	(17)
- Written back during the financial year	3	563
	<u>3</u>	<u>546</u>

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD  
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25 TAXATIONS

	<u>30.09.2022</u> RM'000	<u>30.09.2021</u> RM'000
Malaysian income tax:		
Current period	-	-
Deferred tax	-	-
Overprovision in prior years	-	-
	<hr/>	<hr/>
Tax charge for the financial period	-	-
	<hr/> <hr/>	<hr/> <hr/>

26 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:

	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>30.09.2022</u>			
Direct credit substitutes	1,155	1,155	677
Transaction-related contingent items	1,060	530	524
Short-term self-liquidating trade-related contingencies	663	133	130
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: -			
- Exceeding one year	-	-	-
- Not exceeding one year	12,863	2,573	2,217
<u>Derivative financial contracts</u>			
Foreign exchange related contracts:			
- Less than one year	1,114	-	-
	<hr/>	<hr/>	<hr/>
Total	16,855	4,391	3,548
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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26 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>31.12.2021</u>			
Direct credit substitutes	2,454	2,454	1,055
Transaction-related contingent items	698	349	345
Short-term self-liquidating trade-related contingencies	1,792	358	32
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-			
- Exceeding one year	-	-	-
- Not exceeding one year	14,519	2,904	1,274
<u>Derivative financial contracts</u>			
Foreign exchange related contracts:			
- Less than one year	-	-	-
Total	<u>19,463</u>	<u>6,065</u>	<u>2,706</u>



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27 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

<u>Related parties</u>	<u>Relationship</u>
Bank of Baroda	Shareholder
Indian Overseas Bank	Shareholder
Union Bank of India	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
Union Bank of India - 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

	<u>30.09.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000
<u>Amounts due from/(due to):</u>		
Cash and short-term funds with:		
- Bank of Baroda	3,665	2,408
- Indian Overseas Bank	94	35
- Union Bank of India	1	1
Deposits and placements with banks and other financial institutions		
- Bank of Baroda	-	16,704
Total	<u>3,760</u>	<u>19,148</u>

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Interest income earned from/paid to related parties.

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
<u>Interest income earned</u>		
Deposits and placements with banks and other financial institutions		
- Bank of Baroda	1	2
<u>Interest expense paid</u>		
Deposits and placements from banks and other financial institutions		
- Bank of Baroda	-	-
	<u>          </u>	<u>          </u>

28 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 29.

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29 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 31 December 2020 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.

The capital adequacy ratio of the Bank are as follows:

	<u>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	330,000
Accumulated losses	(9,645)	(6,690)
Total Common Equity Tier 1 Capital	<u>320,355</u>	<u>323,310</u>
<u>Tier 2 capital</u>		
Stage 1 and 2 ECL	29	33
Regulatory reserves	559	1,090
Total Tier 2 capital	<u>588</u>	<u>1,123</u>
Total capital base	<u><u>320,943</u></u>	<u><u>324,433</u></u>
Capital ratios		
Common Equity Tier 1 Capital Ratio	288.439%	275.968%
Total Capital Ratio	<u><u>288.967%</u></u>	<u><u>276.926%</u></u>

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>30.09.2022</u> RM'000	<u>31.12.2021</u> RM'000
Credit risk	90,024	92,552
Market risk	227	218
Operational risk	20,814	24,385
Total risk-weighted assets	<u><u>111,065</u></u>	<u><u>117,155</u></u>

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29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 SEPTEMBER 2022:

<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	52,690	52,690	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	316,575	316,575	63,315	5,065
Corporates	28,076	24,880	16,791	1,343
Other assets	6,474	6,474	6,370	510
Total on-balance sheet exposures	<u>403,815</u>	<u>400,619</u>	<u>86,476</u>	<u>6,918</u>
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,391	3,548	3,548	284
Total off-balance sheet exposures	<u>4,391</u>	<u>3,548</u>	<u>3,548</u>	<u>284</u>
Total on and off-balance sheet exposures	<u>408,206</u>	<u>404,167</u>	<u>90,024</u>	<u>7,202</u>
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Foreign currency risk	227	-	227	18
(c) Operational risk			20,814	1,665
Total risk weighted assets and capital requirements			<u>111,065</u>	<u>8,885</u>

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29 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>30.09.2022</u>										
<u>Risk weighted</u>										
0%	52,690	-	-	-	-	-	103	-	52,793	-
20%	-	-	316,575	10,112	-	-	-	-	326,687	65,337
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	18,316	-	-	6,371	-	24,687	24,687
Total exposures	52,690	-	316,575	28,428	-	-	6,474	-	404,167	90,024
Risk weighted assets by exposure	-	-	63,315	20,338	-	-	6,371	-	-	90,024
Average risk weight	-	-	20.00%	71.54%	-	-	98.41%			

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29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2021:

<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	42,223	42,223	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	309,111	309,111	61,822	4,946
Corporates	56,343	53,516	21,289	1,703
Other assets	6,965	6,965	6,735	539
Total on-balance sheet exposures	<u>414,642</u>	<u>411,815</u>	<u>89,846</u>	<u>7,188</u>
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	6,065	2,706	2,706	216
Total off-balance sheet exposures	<u>6,065</u>	<u>2,706</u>	<u>2,706</u>	<u>216</u>
Total on and off-balance sheet exposures	<u>420,707</u>	<u>414,521</u>	<u>92,552</u>	<u>7,404</u>
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Foreign currency risk	218	-	218	17
(c) Operational risk			24,385	1,951
Total risk weighted assets and capital requirements			<u>117,155</u>	<u>9,372</u>

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29 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)									
	<u>Sovereigns/ Central banks</u>	<u>Public sector entities</u>	<u>Banks, Development Institutions and MDBs</u>	<u>Corporates</u>	<u>Residential mortgages</u>	<u>Higher risk assets</u>	<u>Other assets</u>	<u>Equity</u>	<u>Total exposures after netting and credit risk mitigation</u>	<u>Total risk weighted assets</u>
<u>31.12.2021</u>										
<u>Risk weighted</u>										
0%	42,223	-	-	-	-	-	230	-	42,453	-
20%	-	-	309,111	40,284	-	-	-	-	349,395	69,879
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	15,938	-	-	6,735	-	22,673	22,673
Total exposures	<u>42,223</u>	<u>-</u>	<u>309,111</u>	<u>56,222</u>	<u>-</u>	<u>-</u>	<u>6,965</u>	<u>-</u>	<u>414,521</u>	<u>92,552</u>
Risk weighted assets by exposure	-	-	61,822	23,995	-	-	6,735	-	-	92,552
Average risk weight	-	-	20.00%	42.68%	-	-	96.70%	-	-	-

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>30.09.2022</u>								
<u>Assets</u>								
Cash and short-term funds	46,573	49,729	-	-	-	-	-	96,302
Deposits and placements with banks and other financial institutions	-	-	171,329	-	30,292	-	-	201,621
Financial investments at amortised cost	-	-	20,033	10,003	-	51,421	-	81,457
Loans and advances	546	1,317	3,766	5,053	5,466	1,816	-	17,964
Derivative assets	1	-	-	-	-	-	-	1
Other assets	-	364	594	512	874	387	221	2,952
Deferred taxation	-	-	-	-	-	-	136	136
Tax recoverable	-	-	-	-	-	-	612	612
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	227	227
Intangible assets	-	-	-	-	-	-	1,144	1,144
Right of use assets	-	-	-	-	-	-	1,299	1,299
	<u>47,120</u>	<u>51,410</u>	<u>195,722</u>	<u>15,568</u>	<u>36,632</u>	<u>53,624</u>	<u>3,739</u>	<u>403,815</u>



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30 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 <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>30.09.2022</u>								
<u>Liabilities</u>								
Deposits from customers	21,214	39,348	12,786	4,967	2,014	71	-	80,400
Derivative liabilities	-	-	-	-	-	-	-	-
Other liabilities	117	355	-	-	-	-	220	692
Lease liabilities	-	39	75	108	218	838	-	1278
	<u>21,331</u>	<u>39,742</u>	<u>12,861</u>	<u>5,075</u>	<u>2,232</u>	<u>909</u>	<u>220</u>	<u>82,370</u>
Net liquidity gap	<u>25,789</u>	<u>11,668</u>	<u>182,861</u>	<u>10,493</u>	<u>34,400</u>	<u>52,715</u>	<u>3,519</u>	<u>321,445</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

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 <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>31.12.2021</u>								
<u>Assets</u>								
Cash and short-term funds	33,088	-	-	-	-	-	-	33,088
Deposits and placements with banks and other financial institutions	-	-	35,124	111,346	105,484	-	-	251,954
Financial investments at amortised cost	10,247	-	45,029	-	10,099	41,331	-	106,706
Loans and advances	186	1,117	2,936	1,648	6,139	4,033	-	16,059
Other assets	-	27	144	121	1,764	300	265	2,621
Deferred taxation	-	-	-	-	-	-	136	136
Tax recoverable	-	-	-	-	-	-	548	548
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	144	144
Intangible assets	-	-	-	-	-	-	1,682	1,682
Right of use assets	-	-	-	41	60	1,503	-	1,604
	<u>43,521</u>	<u>1,144</u>	<u>83,233</u>	<u>113,156</u>	<u>123,546</u>	<u>47,167</u>	<u>2,875</u>	<u>414,642</u>

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30 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 <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>31.12.2021</u>								
<u>Liabilities</u>								
Deposits from customers	24,183	4,214	9,400	1,986	47,660	371	-	87,814
Other liabilities	122	174	343	4	1	-	217	861
Lease liabilities	-	47	94	130	216	1,080	-	1,567
	<u>24,305</u>	<u>4,435</u>	<u>9,837</u>	<u>2,120</u>	<u>47,877</u>	<u>1,451</u>	<u>217</u>	<u>90,242</u>
Net liquidity gap	<u>19,216</u>	<u>(3,291)</u>	<u>73,396</u>	<u>111,036</u>	<u>75,669</u>	<u>45,716</u>	<u>2,658</u>	<u>324,400</u>

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30 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 SEPTEMBER 2022:

	Non-trading book						Trading book	Total
	Up to <u>1 month</u>	1 - 3 <u>months</u>	3 - 12 <u>months</u>	1 - 5 <u>years</u>	Over <u>5 years</u>	Non- interest <u>sensitive</u>		
<u>30.09.2022</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Assets</u>								
Cash and short-term funds	89,849	-	-	-	-	6,453	-	96,302
Deposits and placements with banks and other financial institutions	-	171,329	30,292	-	-	-	-	201,621
Financial investments at amortised cost	-	20,033	10,003	51,421	-	-	-	81,457
Loans and advances	1,863	3,766	10,519	1,816	-	-	-	17,964
Derivative assets	-	-	-	-	-	-	1	1
Other assets	364	594	1,386	387	-	221	-	2,952
Total assets	92,076	195,722	52,200	53,624	-	6,674	1	400,297

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30 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 SEPTEMBER 2022 (continued):

	Non-trading book						Trading book	Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non- interest sensitive		
<u>30.09.2022</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Liabilities</u>								
Deposits from customers	60,562	12,786	6,981	71	-	-	-	80,400
Derivative liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	692	-	692
Lease liabilities	-	-	-	-	-	1,278	-	1,278
Total liabilities	<u>60,562</u>	<u>12,786</u>	<u>6,981</u>	<u>71</u>	<u>-</u>	<u>1,970</u>	<u>-</u>	<u>82,370</u>
On balance sheet-interest rate gap	<u>31,514</u>	<u>182,936</u>	<u>45,219</u>	<u>53,553</u>	<u>-</u>	<u>4,704</u>	<u>1</u>	<u>317,927</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD  
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

30 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 2021:

	Non-trading book						Trading book	Total
	Up to <u>1 month</u>	1 - 3 <u>months</u>	3 - 12 <u>months</u>	1 - 5 <u>years</u>	Over <u>5 years</u>	Non- interest <u>sensitive</u>		
<u>31.12.2021</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Assets</u>								
Cash and short-term funds	29,179	-	-	-	-	3,909	-	33,088
Deposits and placements with banks and other financial institutions	-	35,124	216,830	-	-	-	-	251,954
Financial investments at amortised cost	10,247	45,029	10,099	41,331	-	-	-	106,706
Loans and advances	856	3,383	7,787	1,457	2,576	-	-	16,059
Derivative assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	203	-	203
Total assets	<u>40,282</u>	<u>83,536</u>	<u>234,716</u>	<u>42,788</u>	<u>2,576</u>	<u>4,112</u>	-	<u>408,010</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL HALF YEAR ENDED 30 SEPTEMBER 2022 (CONTINUED)

30 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 2021 (continued):

	Non-trading book						Trading book	Total
	Up to <u>1 month</u>	1 - 3 <u>months</u>	3 - 12 <u>months</u>	1 - 5 <u>years</u>	Over <u>5 years</u>	Non- interest <u>sensitive</u>		
<u>31.12.2021</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Liabilities</u>								
<u>Liabilities</u>								
Deposits from customers	28,395	9,403	49,645	371	-	-	-	87,814
Other liabilities	-	-	-	-	-	861	-	861
Lease liabilities	-	-	-	-	-	1,567	-	1,567
Total liabilities	28,395	9,403	49,645	371	-	2,428	-	90,242
On balance sheet-interest rate gap	11,887	74,133	185,071	42,417	2,576	1,684	-	317,768