



INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD (911666-D)

**RISK WEIGHTED CAPITAL ADEQUACY
(BASEL II)**

Pillar 3 Disclosure for Half Year ended 30 June 2013

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1.0 OVERVIEW

The Pillar 3 Disclosure for the half year ended 30 June 2013 for India International Bank (Malaysia) Berhad ("IIBM") complies with the Bank Negara Malaysia's (BNM) "Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3)" - BNM/RH/GL 001-32

IIBM has adopted the Standardised Approach (SA) for the computation of credit and market risk weighted asset, while the Basic Indicator Approach (BIA) has been adopted for the computation of operational risk weighted asset.

2.0 CAPITAL MANAGEMENT

The objective of the IIBM'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.

IIBM'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.

2.1 Capital Adequacy Ratio

Table 1: Risk Weighted Capital Ratio as at 30 June 2013 and 31 December 2012

Risk Weighted Assets (RWA)	30 June 2013 (RM '000)	31 Dec 2012 (RM '000)
Credit RWA	109,799	90,469
Market RWA	-	-
Operational RWA	10,967	8,431
Total RWA	120,766	98,900

As at	Capital Adequacy	CET 1	Tier 1 Capital	Total Capital
30 June 2013	Capital Base (RM '000)	304,742	304,742	304,959
	Risk Weighted Capital Ratio (RWCR)	252.34%	252.34%	252.52%
31 Dec 2012	Capital Base (RM '000)	305,754	305,754	305,754
	Risk Weighted Capital Ratio (RWCR)	309.15%	309.145%	309.15%

2.2 Capital Structure

India International Bank (Malaysia) Berhad capital structure, according to the BNM's "Risk Weighted Capital Adequacy Framework", consists of Tier 1 and Tier 2 capital. Tier 1 capital comprises ordinary paid-up share capital, statutory reserves and retained profits, while tier 2 capital comprises collective impairment provision allocated.

	<u>30 June 2013</u>	<u>31 December 2012</u>
	RM'000	RM'000
<u>Tier-1 Capital</u>		
Share capital	310,000	310,000
Accumulated Loss	(5,258)	(4,246)
	<hr/>	<hr/>
Total Tier-1 capital	304,742	305,754
	<hr/>	<hr/>
<u>Tier-2 Capital</u>		
Collective Impairment Provision	217	-
	<hr/>	<hr/>
Total Tier-2 capital	217	-
	<hr/>	<hr/>
Total Capital	<u>304,959</u>	<u>305,754</u>

3.0 REGULATORY CAPITAL REQUIREMENT

Tables 2 - 10 present the minimum regulatory capital requirement for credit risk under the Standardised Approach. These tables tabulate the total RWA under the various exposure classes under the Standardised Approach and apply the minimum capital requirement at 8% as set by BNM.

Table 2a: Disclosure on Capital Adequacy under Standardised Approach as at 30th June 2013 (RM'000)

Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Minimum Capital Requirement at 8%
Credit Risk				
Exposures under the Standardised Approach				
<u>On-Balance Sheet Exposures</u>				
Corporate	14,223	14,223	8,885	711
Sovereigns/Central Banks	13,873	13,873	0	0
Banks, Development Financial Institutions & MDBs	356,633	356,633	77,805	6,225
Other Assets	15,430	15,430	14,825	1,186
Defaulted Exposures	0	0	0	0
Total for On- Balance Sheet Exposures	400,159	400,159	101,515	8,122
<u>Off-Balance Sheet Exposures</u>				
Credit Derivatives	2,455	2,455	953	76
Off balance sheet exposures other than OTC derivatives or credit derivatives	7,331	7,331	7,331	587
Defaulted Exposures	0	0	0	0
Total Off- Balance Sheet Exposures	9,786	9,786	8,284	663
Total On and Off- Balance Sheet Exposures	409,945	409,945	109,799	8,786
Operational Risk (Basic Indicator Approach)			10,967	877
Total RWA and Capital Requirements			120,766	9,663

**Table 2b: Disclosure on Capital Adequacy under Standardised Approach as at 31st December 2012
 (RM'000)**

Exposure Class (RM in '000)	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Minimum Capital Requirement at 8%
Credit Risk				
Exposures under the Standardised Approach				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	3,411	3,411	-	0
Banks, Development Financial Institutions & MDBs	334,399	334,399	72,972	5,838
Other Assets	17,171	17,171	16,213	1,297
Total for On- Balance Sheet Exposures	354,981	354,981	89,185	7,135
<u>Off-Balance Sheet Exposures</u>				
Credit Derivatives	1,604	1,604	1,284	103
Total Off- Balance Sheet Exposures	1,604	1,604	1,284	103
Total On and Off- Balance Sheet Exposures	356,585	356,585	90,469	7,238
Operational Risk (Basic Indicator Approach)			8,431	674
Total RWA and Capital Requirements			98,900	7,912

4.0 RISK MANAGEMENT

The Bank recognizes that risk management is a vital part of the Bank's operations and is critical to achieve continuous growth, profitability and sustainability. The Bank has in place a Risk Management Framework that oversees the management of different risk areas, and the key business risks are credit risk, operational risk, liquidity risk and market risk.

The Board has established Board Risk Management Committee with the primary objective of overseeing risk management activities of the Bank and recommending appropriate risk management policies and risk measurement parameters.

5.0 CREDIT RISK

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations. The Bank's credit risk arises both in direct lending operations and in its funding, investment and trading activities, where counterparties have repayment or other obligations of the Bank.

IIBM appraises the amount and timing of the cash flows as well as the financial position of the borrower and intended purpose of the funds during loan structuring. The Bank operates within well-defined criteria for new credits as well as the expansion of existing credits and an assessment of the risk profile of the customer or transaction is being conducted prior to any approvals.

Table 3a: Disclosure on Credit Risk Exposure – Geographical Analysis as at 30 June 2013 (RM '000)

Geographical Exposure as at 30 June 2013	Malaysia					Total
	Northern Region	East Coast Region	Central Region	Southern Region	East Malaysia	
Exposure Class						
Exposures under the Standardised Approach						
Corporate	7,066	4,969	11,974	-	-	24,009
Regulatory Retail	-	-	-	-	-	-
Sovereigns/Central Banks	-	-	13,873	-	-	13,873
Banks, Development Financial Institutions & MDBs	-	-	356,633	-	-	356,633
Other Assets	-	-	15,430	-	-	15,430
Defaulted Exposures	-	-	-	-	-	-
Total Credit Exposure	7,066	4,969	397,909	-	-	409,945

**Table 3b: Disclosure on Credit Risk Exposure – Geographical Analysis as at 31 December 2012
 (RM '000)**

Geographical Exposure as at 31 December 2012	Malaysia					
Exposure Class	Northern Region	East Coast Region	Central Region	Southern Region	East Malaysia	Total
Exposures under the Standardised Approach						
Corporate	-	-	1,604	-	-	1,604
Regulatory Retail	-	-	-	-	-	-
Sovereigns/Central Banks	-	-	3,411	-	-	3,411
Banks, Development Financial Institutions & MDBs	-	-	334,399	-	-	334,399
Other Assets	-	-	17,171	-	-	17,171
Defaulted Exposures	-	-	-	-	-	-
Total Credit Exposure	-	-	356,585	-	-	356,585

Table 4a: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 30 June 2013 (RM '000)

Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurant and Hotels	Transport, Storage and Communication	Finance, Insurance and Real Estate and Business Activities	Education, Health and Others	Household	Sector N.E.C	Total
Exposures under the Standardised Approach												
Corporate	-	-	12,625	-	-	10,606	-	765	-	-	13	24,008
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	-	-	13,873	13,873
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	-	-	356,633	356,633
Other Assets	-	-	-	-	-	-	-	-	-	-	15,430	15,430
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit Exposure	-	-	12,625	-	-	10,606	-	765	-	-	385,949	409,945

Table 4b: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2012 (RM '000)

Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurant and Hotels	Transport, Storage and Communication	Finance, Insurance and Real Estate and Business Activities	Education, Health and Others	Household	Sector N.E.C	Total
Exposures under the Standardised Approach												
Corporate	-	-	-	-	-	1,204	-	400	-	-	-	1,604
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	-	-	3,411	3,411
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	-	-	334,399	334,399
Other Assets	-	-	-	-	-	-	-	-	-	-	17,171	17,171
Defaulted Exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit Exposure	-	-	-	-	-	1,204	-	400	-	-	354,981	356,585

Table 5a: Disclosure on Credit Risk Exposure – Maturity Analysis as at 30 June 2013 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	24,009	-	-	24,009
Regulatory Retail	-	-	-	-
Sovereigns/Central Banks	3,694	10,179	-	13,873
Banks, Development Financial Institutions & MDBs	356,633	-	-	356,633
Other Assets	15,430	-	-	15,430
Defaulted Exposures	-	-	-	-
Total Credit Exposure	399,766	10,179	-	409,945

Table 5b: Disclosure on Credit Risk Exposure – Maturity Analysis as at 31 December 2012 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	1,604	-	-	1,604
Regulatory Retail	-	-	-	-
Sovereigns/Central Banks	3,411	-	-	3,411
Banks, Development Financial Institutions & MDBs	334,399	-	-	334,399
Other Assets	17,171	-	-	17,171
Defaulted Exposures	-	-	-	-
Total Credit Exposure	378,619	-	-	356,585

Table 6: Impaired Loans, Collective Impairment Allowance, Individual Impairment Allowance and Write-offs as at 30 June 2013 (RM '000)

Purpose of Financing	Collective Impairment	Individual Impairment	Impaired Assets	Write-Offs	Total
Exposures under the Standardised Approach					
Purchase of Non-Residential Property	-	-	-	-	-
Purchase of Fixed Asset other than Land/Buildings	-	-	-	-	-
Working Capital	217	-	-	-	-
Others	-	-	-	-	-
Total Credit Exposure	217	-	-	-	-

No collective and individual impairment allowance, impaired loans and write-offs as at 31 December 2012.

5.1 Credit Rating

IIBM has adopted Standardized Approach in the computation of Credit Risk Weighted Assets. External credit assessments by External Credit Assessment Institutions (ECAI) on borrowers or specific securities issued by the borrower are the basis for the determination of risk weights under the standardised approach for exposures to sovereigns, central banks, public sector entities, banks, corporates as well as certain other specific portfolios.

Table 7a: Disclosure on Risk Weights under Standardised Approach as at 30 June 2013 (RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	13,873				5,821				605				20,299	0
20%			335,039										335,039	67,008
50%			21,594		2,038								23,632	11,816
100%					16,150				14,825				30,975	30,975
Total Exposure	13,873	-	356,633	-	24,009	-	-	-	15,430	-	-	-	409,945	109,799
Total RWA	0	0	77,805	0	17,169	0	0	0	14,825	0	0	0		
Average Risk Weight	0.00%	0.00%	21.82%	0.00%	71.51%	0.00%	0.00%	0.00%	96.08%	0.00%	0.00%	0.00%		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

Table 7b: Disclosure on Risk Weights under Standardised Approach as at 31 December 2012 (RM'000)

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	3,411				120				957				4,488	0
20%			314,092										314,092	62,818
50%			20,307		400								20,707	10,354
100%					1,084				16,213				17,297	17,297
Total Exposure	3,411	-	334,399	-	1,604	-	-	-	17,170	-	-	-	356,584	90,469
Total RWA	-		72,972		1,284				16,213					
Average Risk Weight	0.00%	0.00%	21.82%	0.00%	80.03%	0.00%	0.00%	0.00%	94.42%	0.00%	0.00%	0.00%		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

Table 8a: Disclosure on Rated and Unrated Exposures according to Ratings by ECAs as at 30 June 2013 (RM'000)

Exposure Class	Ratings of Corporate by Approved ECAs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						24,009
Total		0	0	0	0	24,009

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		355,098		1,535		
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						24,009
Total		355,098	0	1,535	0	24,009

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
On and Off Balance-Sheet Exposures						
Sovereigns and Central Banks		13,873				
Total		13,873	0	0	0	0

Exposure Class	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		335,039	20,059	1,535		
Total		335,039	20,059	1,535	0	0

Table 8b: Disclosure on Rated and Unrated Exposures according to Ratings by ECAIs as at 31 December 2012 (RM'000)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						1,604
Total		0	0	0	0	1,604

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		334,276		123		
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						1,604
Total		334,276	0	123	0	1,604

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Sovereigns and Central Banks		3,411				
Total		3,411	0	0	0	0

Exposure Class	Ratings of Banking Institutions by Approved ECAs					
	Moodys	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		314,092	20,184	113		
Total		314,092	20,184	113	0	0

5.2 Credit Risk Mitigation

IIBM has currently adopted The Simple Approach as per BNM's "Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation)" in the computation of collateralised transactions.

Table 9a: Disclosure on Credit Risk Mitigation Analysis as at 30 June 2013 (RM '000)

Exposure Class (RM '000)	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
Exposures under the Standardised Approach				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	13,873	-	-	-
Banks, Development Financial Institutions & MDBs	356,633	-	-	-
Corporate	14,223	1,638	4,519	-
Other Assets	15,430	-	605	-
Defaulted Exposures	-	-	-	-
Total for On- Balance Sheet Exposures	400,159	1,638	5,124	-
<u>Off-Balance Sheet Exposures</u>				
Credit Derivatives	2,455	400	1,302	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	7,331	-	-	-
Defaulted Exposures	-	-	-	-
Total Off- Balance Sheet Exposures	9,786	400	1,302	-
Total On and Off- Balance Sheet Exposures	409,945	2,038	6,426	-

Table 9b: Disclosure on Credit Risk Mitigation Analysis as at 31 December 2012 (RM '000)

Exposure Class (RM '000)	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
Credit Risk				
Exposures under the Standardised Approach				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	3,411	-	-	-
Banks, Development Financial Institutions & MDBs	334,399	-	-	-
Corporate	-	-	-	-
Other Assets	17,171	-	-	-
Defaulted Exposures	-	-	-	-
Total for On- Balance Sheet Exposures	354,981	-	-	-
<u>Off-Balance Sheet Exposures</u>				
Credit Derivatives	1,604	400	120	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted Exposures	-	-	-	-
Total Off- Balance Sheet Exposures	1,604	400	120	-
Total On and Off- Balance Sheet Exposures	356,585	400	120	0

5.3 Off-Balance Sheet Exposure

Table 10a: Disclosures of Off-Balance Sheet Items as at 30 June 2013 (RM'000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit Substitutes	2,455		2,455	953
Short Term Self Liquidating trade related	631		126	126
Foreign exchange related contracts				
One year or less	857	-	13	13
Over one year to five years				
Over five years				
Interest/Profit rate related contracts				
One year or less				
Over one year to five years				
Over five years				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	35,957		7,192	7,192
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Total	39,900	0	9,786	8,284

Table 10b: Disclosures of Off-Balance Sheet Items as at 31 December 2012 (RM'000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit Substitutes	1,604		1,604	1,284
Foreign exchange related contracts				
One year or less				
Over one year to five years				
Over five years				
Interest/Profit rate related contracts				
One year or less				
Over one year to five years				
Over five years				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year				
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
Total	1,604	0	1,604	1,284

6.0 MARKET RISK

Market Risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates and foreign exchange rates resulting in a loss to earnings and capital.

Liquidity risk is the potential for loss to the Bank arising from either the inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The primary responsibility of the Bank's liquidity management is delegated to the Asset Liability Committee (ALCO), which meets at least once a month. The Committee is responsible to ensure that detailed analysis of assets and liabilities is carried out so as to assess the overall balance sheet structure and risk profile of the Bank.

IIBM's Treasury Department is responsible for the maintenance of adequate and balanced funds to meet liquidity requirement as set forth by BNM, generation of income from prudent risk taking activities in underlying interest rate and foreign exchange market on the approval of ALCO and manages market risks of the Bank's assets and liabilities and foreign exchange position.

6.1 Interest Rate Risk in the Banking Book (IRRBB)

IIBM's market risk mainly comprises interest rate risk as the Bank is not involved in trading activities presently.

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate exposures in individual currencies are controlled by gap limits.

Table 11: Disclosure on Market Risk – Interest Rate Risk/Rate of Return Risk in the Banking Book

	30 June 2013 (RM '000)	31 Dec 2012 (RM '000)
<i>Movement in basis points</i>	<i>+/- 100 bps</i>	<i>+/- 100 bps</i>
Effect on Net Interest Income	1,634	1,552
Effect on Economic Value of Equity	390	221

7.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems.

The objective of operational risk management is to find out the extent of the Bank's operational risk exposure; to understand what drives it; to allocate capital against it and identify trends internally and externally that would help predicting it.

The Bank utilizes Operational Risk Event Database, Risk Control Self-Assessment and Key Risk Indicators to identify, assess and monitor operational risks in the Bank's operating environment. All risks identified will be reported to the Operational Risk Management Committee and Board Risk Management Committee, which will be at least once on a quarterly basis.

Operational Risk Capital Charge Computation Methodology

Operational Risk capital charge is calculated using the Basic Indicator Approach (BIA) as per BNM's "Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation)" guideline. Operational risk capital charge calculation applies a fixed percentage of 15% to the average of positive gross income that was achieved over the preceding three years.

Table 12: Disclosure on Operational Risk Weighted Assets

	30 June 2013 (RM '000)	31 December 2012 (RM '000)
Total RWA for Operational Risk	10,967	8,431