Company No.

911666	D

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

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

RISK WEIGHTED CAPITAL ADEQUACY (BASEL II)

PILLAR 3 DISCLOSURE FOR THE FINANCIAL HALF-YEAR ENDED 30 JUNE 2017

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1.0 OVERVIEW

The Pillar 3 Disclosure for the financial half-year ended 30 June 2017 for India International Bank (Malaysia) Berhad ("IIBM" or "The Bank") complies with Bank Negara Malaysia's (BNM) "Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3)".

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

MEDIUM AND LOCATION OF DISCLOSURE

The Bank's Pillar 3 Disclosure will be made available under the Financial Statement section of the Bank's website at www.indiainternationalbank.com.my.

BASIS OF DISCLOSURE

This Pillar 3 disclosure document is in compliance with BNM's Basel II – Disclosure Requirement (Pillar 3) guideline. The disclosure published is for the financial half-year ended 30 June 2017 and is to be read in conjunction with the Bank's annual financial statements for the financial half-year ended 30 June 2017.

The disclosure has been reviewed and verified by IIBM's internal auditors and approved by the Board of Directors ("Board") of India International Bank (Malaysia) Berhad.

2.0 CAPITAL MANAGEMENT

The objective of 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. It seeks to ensure that risk exposures of the Bank are backed by adequate amount of high quality capital and ability to meet its obligations while also maintaining the confidence of customers, depositors, creditors and other stakeholders.

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 Structure

India International Bank (Malaysia) Berhad ("IIBM") is a locally incorporated joint venture between 3 of India's largest government owned financial institution namely Bank of Baroda with 40% shareholding, Indian Overseas Bank with 35% and Andhra Bank with the remaining 25% shares.

As per Bank Negara Guideline (BNM) "Capital Adequacy Framework (Capital Components)", financial institutions capital structure consists of Common Equity Tier 1, additional Tier 1 and Tier 2 capital. IIBM's capital structure is solely contributed from Share Capital which is one of the components of Common Equity Tier 1 capital. The table below presents information on the components of IIBM's capital under the above guideline.

	30 Jun 2017 (RM '000)	31 Dec 2016 (RM '000)
Common Equity Tier-1 Capital		
Share Capital	330,000	330,000
Accumulated Loss	(12,006)	(10,971)
Total CET-1 Capital	**317,994**	**319,029**
Additional Tier-1 Capital		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
Total Tier-1 Capital	**317,994**	**319,029**
Tier-2 Capital		
Collective Impairment Provision	1,055	975
Total Tier-2 Capital	**1,055**	**975**
Total Capital	**319,049**	**320,004**

2.2 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's ICAAP Framework has been developed and approved by the Board of Directors. The Bank has implemented the ICAAP and will continuously enhance and improve the process along with the Bank's growth over the next few years.

The Bank's ICAAP Framework seeks to ensure that the Bank has adequate capital to support its business activities and to instil a forward-looking approach in managing capital. Regular ICAAP reports are submitted to the Bank's Management Committee and Board Risk Management Committee (BRMC) on a quarterly basis, for a comprehensive review of the risk profile and appetite of the Bank and assessment of the Bank's capital adequacy to meet its obligation and regulatory requirements.

Risk Assessment Under ICAAP Framework

IIBM identifies all material risks faced by the Bank and measures it based on qualitative (expert judgment) and quantitative approaches.

The Bank assesses the following risk types:

- Risks captured under Pillar 1- credit risk, market risk and operational risk.
- Risks not fully captured under Pillar 1- the Bank has yet to include this form of risk. However, the Bank shall consider such risk along with the enhancement / review of the framework.
- Risk types not covered under Pillar 1- credit concentration risk, interest rate risk in the banking book (IRRBB), liquidity risk, reputational risk and strategic / business risk.

Risk Appetite

The Risk Appetite statements for the Bank were approved by the Board of Directors and are reviewed on a yearly basis. The setting of the risk appetite enables the Bank to translate risk appetite into risk limits and tolerance.

The objectives of the Bank's Risk Appetite statements are as follows:

- Expresses the type and quantum of risk the Bank wishes to be exposed to base on its core values, strategy, risk management competencies and shareholders' expectations.
- To develop a framework that supports the evaluation of risks in a consistent manner.
- To set aside adequate risk buffers to support stress scenarios in line with the Bank's risk appetite.

Stress Testing

The Bank uses a 3-year horizon for the stress tests, in order to balance the need to fully capture potential losses that materialize gradually over time, allowing the Bank to conduct assessment of its capital planning and projections. The Bank forecasts its balance sheet position and macroeconomic scenarios over a 3-year horizon under different severities reflected by different values of projected factors, and subsequently apply them to the current portfolio to derive the projected losses.

The stress test results will be tabled to the Asset & Liability Committee (ALCO) and Board Risk Management Committee (BRMC) and Board on a regular basis.

2.3 Capital Adequacy Ratio

The breakdown of risk-weighted assets by major category is as follows:

Risk Weighted Assets (RWA)	**30 Jun 2017 (RM '000)**	**31 Dec 2016 (RM '000)**
Credit RWA	149,724	150,144
Market RWA	2,436	4,120
Operational RWA	27,322	26,947
Total Risk-Weighted Assets	**179,482**	**181,211**

Capital Ratios	**30 Jun 2017 (RM '000)**	**31 Dec 2016 (RM '000)**
Core Capital Ratio	177.2%	176.1%
Risk-Weighted Capital Ratio	177.8%	176.6%

The Bank does not have any innovative, non-innovative, complex or hybrid capital instruments.

3.0 REGULATORY CAPITAL REQUIREMENT

The following tables present the minimum regulatory capital requirement for credit, market and operational risks for IIBM. These tables tabulate the total risk weighted asset under the respective risk areas. Based on the adopted approaches used for credit, market and operational risks, the Bank computes the minimum capital requirement of 8% as per requirement by BNM.

Table 2a: Disclosure on Capital Adequacy under Standardised Approach as at 30 June 2017 (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					
On-Balance Sheet Exposures					
Corporate		66,421	58,426	58,426	4,674
Sovereigns & Central Banks		21,471	21,471	-	-
Banks, Development Financial Institutions & MDBs		359,410	359,410	71,882	5,751
Other Assets		2,578	2,578	1,970	158
Defaulted Exposures		2,105	2,105	2,105	168
Total for On- Balance Sheet Exposures		**451,985**	**443,990**	**134,383**	**10,751**
Off-Balance Sheet Exposures					
OTC Derivatives		133	133	27	2
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		18,157	15,315	15,315	1,225
Defaulted Exposures		-	-	-	-
Total Off- Balance Sheet Exposures		**18,290**	**15,448**	**15,342**	**1,227**
Total On and Off- Balance Sheet Exposures *(A)*		**470,275**	**459,438**	**149,725**	**11,978**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	2,436	-		2,436	195
Total Market Exposures *(B)*				**2,436**	**195**
Operational Risk (Basic Indicator Approach) *(C)*				**27,322**	**2,186**
Total RWA and Capital Requirements *(A+B+C)*				**179,483**	**14,359**

Table 2b: Disclosure on Capital Adequacy under Standardised Approach as at 31 December 2016 (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					
On-Balance Sheet Exposures					
Corporate		58,219	48,723	48,723	3,898
Sovereigns & Central Banks		21,638	21,638	-	-
Banks, Development Financial Institutions & MDBs		388,714	388,714	77,743	6,219
Other Assets		3,663	3,663	3,298	264
Defaulted Exposures		2,638	2,638	2,905	232
Total for On- Balance Sheet Exposures		**474,872**	**465,376**	**132,669**	**10,613**
Off-Balance Sheet Exposures					
OTC Derivatives		91	91	18	1
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		19,448	17,457	17,457	1,397
Defaulted Exposures		-	-	-	-
Total Off- Balance Sheet Exposures		**19,539**	**17,548**	**17,475**	**1,398**
Total On and Off- Balance Sheet Exposures *(A)*		**494,411**	**482,924**	**150,144**	**12,011**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	4,120	-		4,120	330
Total Market Exposures *(B)*				**4,120**	**330**
Operational Risk (Basic Indicator Approach) *(C)*				**26,947**	**2,156**
Total RWA and Capital Requirements *(A+B+C)*				**181,211**	**14,497**

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 Bank has defined risk governance structure with clear roles and responsibilities with segregation of duties between Board and Senior Management. The Board is supported by four committees comprising of Board Risk Management Committee (BRMC), Audit Committee (AC), Remuneration Committee (RC) and Nomination Committee (NC). Additionally, the roles and responsibilities of the Board and Senior Management have been realigned to include ICAAP functions.

The Board Risk Management Committee's primary objective is to oversee risk management activities of the Bank and recommending appropriate risk management policies and risk measurement parameters. With membership consisting of mainly non-executive directors and chaired by an independent non-executive member of the Board, the BRMC provides the risk management process with the necessary power to effect changes and take timely risk mitigating action when necessary.

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 2017 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	84,578	-	**84,578**
Regulatory Retail	-	-	**-**
Sovereigns & Central Banks	21,471	-	**21,471**
Banks, Development Financial Institutions & MDBs	351,620	7,923	**359,543**
Other Assets	2,578	-	**2,578**
Defaulted Exposures	2,105	-	**2,105**
Total Credit Exposure	**462,352**	**7,923**	**470,275**

Table 3b: Disclosure on Credit Risk Exposure – Geographical Analysis as at 31 December 2016 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	77,667	-	**77,667**
Regulatory Retail	-	-	**-**
Sovereigns & Central Banks	21,638	-	**21,638**
Banks, Development Financial Institutions & MDBs	377,360	11,445	**388,805**
Other Assets	3,663	-	**3,663**
Defaulted Exposures	2,638	-	**2,638**
Total Credit Exposure	**482,966**	**11,445**	**494,411**

Table 4a: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 30 June 2017 (RM '000)

Exposure Class	Corporate	Regulatory Retail	Sovereigns & Central Banks	Banks, Development Financial Inst. & MDBs	Other Assets	Defaulted Exposures	Total Credit Exposure
Exposures under the Standardised Approach							
Primary Agriculture	-	-	-	-	-	-	**-**
Mining & Quarrying	-	-	-	-	-	-	**-**
Manufacturing	40,107	-	-	-	-	-	**40,107**
Electric, Gas & Water Supply	-	-	-	-	-	-	**-**
Construction	981	-	-	-	-	-	**981**
Wholesale, Retail Trade and Restaurant & Hotels	27,490	-	-	-	-	2,105	**29,595**
Transport, Storage and Communication	-	-	-	-	-	-	**-**
Finance, Insurance, Real Estate & Business Activities	12,280	-	21,471	359,543	-	-	**393,294**
Education, Health & Others	3,720	-	-	-	-	-	**3,720**
Household	-	-	-	-	-	-	**-**
Sector N.E.C.	-	-	-	-	2,578	-	**2,578**
Total	**84,578**	**-**	**21,471**	**359,543**	**2,578**	**2,105**	**470,275**

Table 4b: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2016 (RM '000)

Exposure Class	Corporate	Regulatory Retail	Sovereigns & Central Banks	Banks, Development Financial Inst. & MDBs	Other Assets	Defaulted Exposures	Total Credit Exposure
Exposures under the Standardised Approach							
Primary Agriculture	-	-	-	-	-	-	**-**
Mining & Quarrying	-	-	-	-	-	-	**-**
Manufacturing	34,383	-	-	-	-	-	**34,383**
Electric, Gas & Water Supply	-	-	-	-	-	-	**-**
Construction	935	-	-	-	-	-	**935**
Wholesale, Retail Trade and Restaurant & Hotels	31,039	-	-	-	-	2,638	**33,677**
Transport, Storage and Communication	-	-	-	-	-	-	**-**
Finance, Insurance, Real Estate & Business Activities	10,554	-	21,638	388,805	-	-	**420,997**
Education, Health & Others	756	-	-	-	-	-	**756**
Household	-	-	-	-	-	-	**-**
Sector N.E.C.	-	-	-	-	3,663	-	**3,663**
Total	**77,667**	**-**	**21,638**	**388,805**	**3,663**	**2,638**	**494,411**

Table 5a: Disclosure on Credit Risk Exposure – Maturity Analysis as at 30 June 2017 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	73,422	1,585	9,571	**84,578**
Regulatory Retail	-	-	-	**-**
Sovereigns & Central Banks	11,328	10,143	-	**21,471**
Banks, Development Financial Institutions & MDBs	359,543	-	-	**359,543**
Other Assets	2,578	-	-	**2,578**
Defaulted Exposures	2,105	-	-	**2,105**
Total Credit Exposure	**448,976**	**11,728**	**9,571**	**470,275**

Table 5b: Disclosure on Credit Risk Exposure – Maturity Analysis as at 31 December 2016 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	63,277	-	14,390	**77,667**
Regulatory Retail	-	-	-	**-**
Sovereigns & Central Banks	1,344	20,294	-	**21,638**
Banks, Development Financial Institutions & MDBs	388,805	-	-	**388,805**
Other Assets	3,663	-	-	**3,663**
Defaulted Exposures	2,361	-	277	**2,638**
Total Credit Exposure	**459,450**	**20,294**	**14,667**	**494,411**

5.1 Impairment of Financial Assets

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) Disappearance of an active market for that financial asset because of financial difficulties; or

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

   a. Adverse changes in the payment status of borrowers in the portfolio; and

   b. National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

Table 6a: Net Impaired Loans, Collective Impairment Allowance, Individual Impairment Allowance and Write-offs as at 30 June 2017 (RM '000)

Purpose of Financing	Collective Impairment	Individual Impairment	Net Impaired Assets	Write-Offs
Exposures under the Standardised Approach				
Purchase of Non-Residential Property	97	-	-	-
Purchase of Fixed Asset other than Land / Buildings	47	-	-	-
Working Capital	911	1,471	2,105	-
Total Credit Exposure	**1,055**	**1,471**	**2,105**	**-**

Table 6b: Net Impaired Loans, Collective Impairment Allowance, Individual Impairment Allowance and Write-offs as at 31 December 2016 (RM '000)

Purpose of Financing	Collective Impairment	Individual Impairment	Net Impaired Assets	Write-Offs
Exposures under the Standardised Approach				
Purchase of Non-Residential Property	100	-	-	-
Purchase of Fixed Asset other than Land / Buildings	53	-	-	-
Working Capital	822	1,504	2,638	-
Total Credit Exposure	**975**	**1,504**	**2,638**	**-**

Table 7a: Movements in impaired loans, advances and financing as at 30 June 2017 and 31 December 2016 (RM '000)

Item	**30 Jun 2017 (RM '000)**	**31 Dec 2016 (RM '000)**
Credit Risk		
At beginning of the financial period	4,142	4,999
Classified as impaired during the financial period	-	533
Reclassified as non-impaired during the financial period	-	-
Interest reversal	-	(64)
Amount recovered	(566)	(1,326)
Amount written off	-	-
At end of the financial period	**3,576**	**4,142**
Individual impairment provision	(1,471)	(1,504)
Net Impaired loans and advances	**2,105**	**2,638**
Ratio of net impaired loans and advances to gross loans and advances less individual impairments provisions	3.03%	4.27%

Table 7b: Movements in allowance for impaired loans, advances and financing as at 30 June 2017 and 31 December 2016 (RM '000)

Item	**30 Jun 2017 (RM '000)**	**31 Dec 2016 (RM '000)**
Credit Risk		
Individual assessment allowance		
At 1 January	1,504	1,644
Allowance made during the financial year	-	-
Write back made during the financial year	(33)	(140)
Write off made during the financial year	-	-
At end of the financial period	**1,471**	**1,504**
Collective assessment allowance		
At 1 January	975	790
Allowance made during the financial year	80	185
Write back made during the financial year	-	-
At end of the financial period	**1,055**	**975**
As a % of gross loans and advances less individual assessment allowance	1.52%	1.58%

5.2 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 8a: Disclosure on Risk Weights under Standardised Approach as at 30 June 2017 (RM '000)

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	21,471	-	-	-	-	-	-	-	608	-	-	-	22,079	-
20%	-	-	359,543	-	-	-	-	-	-	-	-	-	359,543	71,909
50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	75,846	-	-	-	1,970	-	-	-	77,816	77,816
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposure	**21,471**	**-**	**359,543**	**-**	**75,846**	**-**	**-**	**-**	**2,578**	**-**	**-**	**-**	**459,438**	**149,725**
Total RWA	**-**	**-**	**71,909**	**-**	**75,846**	**-**	**-**	**-**	**1,970**	**-**	**-**	**-**		
Average Risk Weight	**0.00%**		**20.00%**		**100.00%**				**76.42%**					
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

Table 8b: Disclosure on Risk Weights under Standardised Approach as at 31 December 2016 (RM '000)

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	**Sovereigns & Central Banks**	**PSEs**	**Banks, MDBs and DFIs**	**Insurance Cos, Securities Firms & Fund Managers**	**Corporates**	**Regulatory Retail**	**Residential Mortgages**	**Higher Risk Assets**	**Other Assets**	**Specialised Financing / Investment**	**Securitisation**	**Equity**	**Total Exposures after Netting & Credit Risk Mitigation**	**Total Risk Weighted Assets**
0%	21,638	-	-	-	-	-	-	-	365	-	-	-	22,003	-
20%	-	-	388,805	-	-	-	-	-	-	-	-	-	388,805	77,761
50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	68,285	-	-	-	3,298	-	-	-	71,583	71,583
150%	-	-	-	-	533	-	-	-	-	-	-	-	533	800
Total Exposure	**21,638**	**-**	**388,805**	**-**	**68,818**	**-**	**-**	**-**	**3,663**	**-**	**-**	**-**	**482,924**	**150,144**
Total RWA	**-**	**-**	**77,761**	**-**	**69,085**	**-**	**-**	**-**	**3,298**	**-**	**-**	**-**		
Average Risk Weight	**0.00%**		**20.00%**		**100.39%**				**90.04%**					
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

Table 9a: Disclosure on Rated and Unrated Exposures for Corporates according to Ratings by ECAIs (RM '000)

Corporates	Ratings of Corporate by Approved ECAIs					
	Moody's	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	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
30 Jun 2017		-	-	-	-	86,683
31 Dec 2016		-	-	-	-	80,305

Table 9b: Disclosure on Rated and Unrated Exposures for Banks according to Ratings by ECAIs (RM '000)

Banks	Short Term Ratings of Banking Institutions by Approved ECAIs					
	Moody's	P–1	P-2	P-3	Others	Unrated
	S&P	A–1	A-2	A-3	Others	
	Fitch	F1+, F1	F2	F3	B to D	
	RAM	P–1	P-2	P-3	NP	
	MARC	MARC -1	MARC -2	MARC -3	MARC -4	
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b, c	
30 Jun 2017		351,621	-	7,922	-	-
31 Dec 2016		377,360	-	11,445	-	-

Table 9c: Disclosure on Rated and Unrated Exposures for Sovereigns according to Ratings by ECAIs (RM '000)

Sovereigns	Ratings of Corporate by Approved ECAIs					
	Moody's	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	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
	Rating & Investment Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	
30 Jun 2017		21,471	-	-	-	-
31 Dec 2016		21,638	-	-	-	-

5.3 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 10a: Disclosure on Credit Risk Mitigation Analysis as at 30 June 2017 (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				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	21,471	-	-	-
Banks, Development Financial Institutions & MDBs	359,410		-	-
Corporate	66,421		7,995	-
Other Assets	2,578	-	-	-
Defaulted Exposures	2,105	-	-	-
Total for On- Balance Sheet Exposures	**451,985**	**-**	**7,995**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives	133	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	18,157		2,842	-
Defaulted Exposures	-	-	-	-
Total Off- Balance Sheet Exposures	**18,290**	**-**	**2,842**	**-**
Total On and Off- Balance Sheet Exposures	**470,275**	**-**	**10,837**	**-**

Table 10b: Disclosure on Credit Risk Mitigation Analysis as at 31 December 2016 (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				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	21,638	-	-	-
Banks, Development Financial Institutions & MDBs	388,714		-	-
Corporate	58,219		9,496	-
Other Assets	3,663	-	-	-
Defaulted Exposures	2,638	-	-	-
Total for On- Balance Sheet Exposures	**474,872**	**-**	**9,496**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives	91	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,448		1,991	-
Defaulted Exposures	-	-	-	-
Total Off- Balance Sheet Exposures	**19,539**	**-**	**1,991**	**-**
Total On and Off- Balance Sheet Exposures	**494,411**	**-**	**11,487**	**-**

5.4 Off-Balance Sheet Exposure

Table 11a: Disclosures of Off-Balance Sheet Items as at 30 June 2017 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit Substitutes	**12,383**		**12,383**	**11,149**
Transaction Related Contingent Items	**752**		**376**	**362**
Short Term Self Liquidating Trade Related Contingencies	**476**		**95**	**91**
Foreign exchange related contracts				
One year or less	19,023	56	133	27
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	**1,036**		**518**	**511**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**23,924**		**4,785**	**3,202**
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	**57,594**	**56**	**18,290**	**15,342**

Table 11b: Disclosures of Off-Balance Sheet Items as at 31 December 2016 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit Substitutes	**12,746**		**12,746**	**10,814**
Transaction Related Contingent Items	**-**		**-**	**-**
Short Term Self Liquidating Trade Related Contingencies	**1,136**		**227**	**227**
Foreign exchange related contracts				
One year or less	16,100	-	91	18
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	**32,373**		**6,475**	**6,416**
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	**62,355**	**-**	**19,539**	**17,475**

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 and IRRBB review are delegated to the Bank's 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 in Banking Book (IRRBB) is defined as the exposure the Bank foresees due to adverse movements in interest rate or benchmark rates arising from re-pricing risk, options risk, basis risk and yield curve risk. The following are the sources of interest rate risk:

- Re-pricing Risk – It is risk that arises due to timing difference or mismatches in the maturity and interest rate changes in bank's assets and liabilities.

- Options Risk - It is risk that arises from implicit and explicit options in a bank's assets and liabilities, such as prepayment of loans or early withdrawal of funds.

- Basis Risk – It is due to change in interest rates for various assets and liabilities at the same time, but not necessarily in the same amount.

- Yield Curve Risk – It is the risk that changes in market interest rates may have different effects on similar instruments with different maturities.

Interest Rate Risk in the Banking Book can be measured by the following methods:

- Interest Rate Gap – Interest rate sensitive assets and liabilities positions are distributed in time bands according to its maturity or time remaining to next pricing.

- Net Interest Income (NII) simulations – The NII simulation is performed via interest rate gap and indicates the short term impact of interest rate movements on the projected earnings of the Bank.

- Economic Value of Equity (EVE) – Provides the present value of the net cash flows of the Bank and gives an indication of the underlying value of the Bank's current position and provides the potential longer impact of interest rate movements on the Bank's value.

Table 12: Disclosure on Market Risk – Interest Rate Risk / Rate of Return Risk in the Banking Book

	30 June 2017 (RM '000)	31 December 2016 (RM '000)
Movement in Basis Points	*+ 100 bps*	*+ 100 bps*
Effect on Net Interest Income	1,786	1,564
Effect on Economic Value of Equity	925	1,104

7.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behavior and systems, or from external events. Operational risk is inherent in each of the Bank's business and key support activities can manifest it in various ways. These include breakdowns, errors and business interruptions, and can potentially result in financial losses and other damage to the Bank.

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risk have been developed as an important part of the Bank's risk management culture. They include established policies and procedures, internal controls and procedures as well as maintaining back-up procedures for key activities, undertaking contingency planning, regular organisation review and through enforcement of the Bank's guidelines for Business Conduct. These are supported by an independent review by Internal Audit.

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 13: Disclosure on Operational Risk Weighted Assets

	30 June 2017 (RM '000)	31 December 2016 (RM '000)
Total RWA for Operational Risk	27,322	26,947