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 YEAR ENDED 31 DECEMBER 2019

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1.0 OVERVIEW

The Pillar 3 Disclosure for the financial year ended 31 December 2019 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 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 year ended 31 December 2019 and is to be read in conjunction with the Bank's interim financial statements for the financial year ended 31 December 2019.

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 the risk exposures of the Bank are backed by adequate high-quality capital 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 institutions namely Bank of Baroda with 40% shareholding, Indian Overseas Bank with 35% shareholding, and Andhra Bank with the remaining 25% shareholding.

As per Bank Negara Malaysia (BNM) Guideline "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 consists solely of 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.

	31 Dec 2019 (RM '000)	31 Dec 2018 (RM '000)
Common Equity Tier-1 Capital		
Share Capital	330,000	330,000
Accumulated Loss	(5,645)	(8,356)
Total Common Equity Tier-1 Capital	**324,355**	**321,644**
Additional Tier-1 Capital		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
Total Tier-1 Capital	**324,355**	**321,644**
Tier-2 Capital		
General Provision	-	-
Stage 1 and 2 ECL	683	214
Regulatory Reserves	2,043	1,711
Total Tier-2 Capital	**2,726**	**1,925**
Total Capital	**327,081**	**323,569**

2.2 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's ICAAP Framework was been developed by the Management of the Bank, and approved by the Bank's Board of Directors. The Bank has implemented the ICAAP and will continuously enhance and improve the process along with the Bank's growth, going forward.

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 for the assessment of the Bank's capital adequacy and the Bank's ability to meet its obligations 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 risks 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 of the Bank were approved by the Board of Directors and are reviewed on an annual basis. The setting of the risk appetite enables the Bank to translate the risk appetite into risk limits and tolerance.

The objectives of the Bank's risk appetite statements are as follows:

- To express the type and quantum of risk the Bank is willing to be exposed to, based 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 forward-looking horizon for the stress tests in order to capture potential losses that materialize gradually over time, allowing the Bank to assess its capital planning and projections. The Bank forecasts its financial position and macroeconomic scenarios over a 3-year forward-looking horizon under different severities reflected by different values of projected factors, and subsequently applies them to the current portfolio to derive the projected impact.

The stress test results are 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)	**31 Dec 2019 (RM ‘000)**	**31 Dec 2018 (RM ‘000)**
Credit RWA	147,251	139,904
Market RWA	3,846	1,851
Operational RWA	29,170	27,757
Total Risk-Weighted Assets	**180,267**	**169,512**

Capital Ratios	**31 Dec 2019 (RM ‘000)**	**31 Dec 2018 (RM ‘000)**
Core Capital Ratio	179.929%	189.747%
Risk-Weighted Capital Ratio	181.443%	190.883%

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 assets under the respective risk areas. Based on the adopted approaches used for credit, market and operational risks, the Bank computes the minimum capital requirement as per the BNM requirement.

Table 2a: Disclosure on Capital Adequacy under Standardised Approach as at 31 December 2019 (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		114,922	103,862	51,221	4,098
Sovereigns & Central Banks		20,839	20,839	-	-
Banks, Development Financial Institutions & MDBs		440,844	440,844	88,169	7,053
Other Assets		3,824	3,824	3,407	273
Defaulted Exposures		-	-	-	-
Total for On-Balance Sheet Exposures		**580,429**	**569,369**	**142,797**	**11,424**
Off-Balance Sheet Exposures					
OTC Derivatives		-	-	-	-
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		9,950	4,454	4,454	356
Defaulted Exposures		-	-	-	-
Total Off-Balance Sheet Exposures		**9,950**	**4,454**	**4,454**	**356**
Total On and Off-Balance Sheet Exposures *(A)*		**590,379**	**573,823**	**147,251**	**11,780**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	3,846	-		3,846	308
Total Market Exposures *(B)*				**3,846**	**308**
Operational Risk (Basic Indicator Approach) *(C)*				**29,170**	**2,334**
Total RWA and Capital Requirements *(A+B+C)*				**180,267**	**14,422**

Table 2b: Disclosure on Capital Adequacy under Standardised Approach as at 31 December 2018 (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	114,407		103,445	54,618	4,370
Sovereigns & Central Banks	31,122		31,122	-	-
Banks, Development Financial Institutions & MDBs	310,598		310,598	62,120	4,970
Other Assets	3,686		3,686	3,233	259
Defaulted Exposures	2,318		2,318	3,477	278
Total for On-Balance Sheet Exposures	**462,131**		**451,169**	**123,448**	**9,877**
Off-Balance Sheet Exposures					
OTC Derivatives	18		18	4	-
Credit Derivatives	-		-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,883		16,452	16,452	1,316
Defaulted Exposures	-		-	-	-
Total Off-Balance Sheet Exposures	**19,901**		**16,470**	**16,456**	**1,316**
Total On and Off-Balance Sheet Exposures *(A)*	**482,032**		**467,639**	**139,904**	**11,193**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	1,851	-		1,851	148
Total Market Exposures *(B)*				**1,851**	**148**
Operational Risk (Basic Indicator Approach) *(C)*				**27,757**	**2,221**
Total RWA and Capital Requirements *(A+B+C)*				**169,512**	**13,562**

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 function that oversees the management of different risk areas. The key business risks are credit risk, operational risk, liquidity risk and market risk.

The Bank has a defined risk governance structure with clear roles and responsibilities with segregation of duties between the Board and Senior Management. The Board is supported by four committees namely the Board Risk Management Committee (BRMC), Board Audit & Compliance Committee (BACC), Board Remuneration Committee (BRC) and Board Nomination Committee (BNC). Additionally, the roles and responsibilities of the Board and Senior Management include the ICAAP functions.

The primary objective of the Board Risk Management Committee is to oversee the risk management activities of the Bank and to recommend appropriate risk management policies and risk measurement tools. With membership consisting mainly of non-executive directors and chaired by an independent non-executive member of the Board, the BRMC provides the risk management process with the necessary stature 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 from direct lending operations and from its funding, investment and trading activities, where counterparties have repayment or other obligations to the Bank.

IIBM assesses the amount and timing of the cash flows as well as the financial position of the borrower and the 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. An assessment of the risk profile of the customer or transaction is conducted as part of the decision-making process.

Table 3a: Disclosure on Credit Risk Exposure – Geographical Analysis as at 31 December 2019 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	124,872	-	124,872
Regulatory Retail	-	-	-
Sovereigns & Central Banks	20,839	-	20,839
Banks, Development Financial Institutions & MDBs	316,841	124,003	440,844
Other Assets	3,824	-	3,824
Defaulted Exposures	-	-	-
Total Credit Exposure	**466,376**	**124,003**	**590,379**

Table 3b: Disclosure on Credit Risk Exposure – Geographical Analysis as at 31 December 2018 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	134,290	-	134,290
Regulatory Retail	-	-	-
Sovereigns & Central Banks	31,122	-	31,122
Banks, Development Financial Institutions & MDBs	278,981	31,635	310,616
Other Assets	3,686	-	3,686
Defaulted Exposures	2,318	-	2,318
Total Credit Exposure	**450,397**	**31,635**	**482,032**

Table 4a: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2019 (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	17,205	-	-	-	-	-	17,205
Electricity, Gas & Water Supply	-	-	-	-	-	-	-
Construction	1,125	-	-	-	-	-	1,125
Wholesale, Retail Trade and Restaurant & Hotels	24,075	-	-	-	-	-	24,075
Transport, Storage and Communication	-	-	-	-	-	-	-
Finance, Insurance, Real Estate & Business Activities	79,306	-	20,839	440,844	-	-	540,989
Education, Health & Others	3,161	-	-	-	-	-	3,161
Household	-	-	-	-	-	-	-
Sector N.E.C.	-	-	-	-	3,824	-	3,824
Total	**124,872**	**-**	**20,839**	**440,844**	**3,824**	**-**	**590,379**

Table 4b: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2018 (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	34,225	-	-	-	-	-	34,225
Electricity, Gas & Water Supply	-	-	-	-	-	-	-
Construction	976	-	-	-	-	-	976
Wholesale, Retail Trade and Restaurant & Hotels	30,960	-	-	-	-	2,318	33,278
Transport, Storage and Communication	200	-	-	-	-	-	200
Finance, Insurance, Real Estate & Business Activities	64,639	-	31,122	310,616	-	-	406,377
Education, Health & Others	3,290	-	-	-	-	-	3,290
Household	-	-	-	-	-	-	-
Sector N.E.C.	-	-	-	-	3,686	-	3,686
Total	**134,290**	**-**	**31,122**	**310,616**	**3,686**	**2,318**	**482,032**

Table 5a: Disclosure on Credit Risk Exposure – Maturity Analysis as at 31 December 2019 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	90,635	29,401	4,836	124,872
Regulatory Retail	-	-	-	-
Sovereigns & Central Banks	713	20,126	-	20,839
Banks, Development Financial Institutions & MDBs	440,844	-	-	440,844
Other Assets	3,824	-	-	3,824
Defaulted Exposures	-	-	-	-
Total Credit Exposure	**536,016**	**49,527**	**4,836**	**590,379**

Table 5b: Disclosure on Credit Risk Exposure – Maturity Analysis as at 31 December 2018 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	72,754	54,734	6,802	134,290
Regulatory Retail	-	-	-	-
Sovereigns & Central Banks	11,022	20,100	-	31,122
Banks, Development Financial Institutions & MDBs	310,616	-	-	310,616
Other Assets	3,686	-	-	3,686
Defaulted Exposures	2,318	-	-	2,318
Total Credit Exposure	**400,396**	**74,834**	**6,802**	**482,032**

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 are impaired. A financial asset or group of financial assets are 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 whether there is objective evidence of an impairment loss include, but are not limited to, the following:

(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, grants the borrower a concession that the lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or any other manner of 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, Expected Credit Loss and Write-offs as at 31 December 2019 (RM '000)

Purpose of Financing (On and Off-Balance Sheet)	Stages 1 & 2 ECL	Stage 3 ECL	Net Impaired Assets	Write-Offs
Exposures under the Standardised Approach				
Purchase of Residential Property	-	-	-	-
Purchase of Non-Residential Property	1	-	-	-
Purchase of Fixed Asset other than Land / Buildings	-	-	-	-
Working Capital	26	-	-	-
Total	**27**	**-**	**-**	**-**

Table 6b: Net Impaired Loans, Collective Impairment Allowance, Individual Impairment Allowance and Write-offs as at 31 December 2018 (RM '000)

Purpose of Financing (On and Off-Balance Sheet)	Stages 1 & 2 ECL	Stage 3 ECL	Net Impaired Assets	Write-Offs
Exposures under the Standardised Approach				
Purchase of Residential Property	-	-	-	-
Purchase of Non-Residential Property	1	-	-	-
Purchase of Fixed Asset other than Land / Buildings	1	-	-	-
Working Capital	73	565	2,318	-
Total	**75**	**565**	**2,318**	**-**

Table 7a: Movements in expected credit losses for loans, advances and financing (RM '000)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	57	-	565	622
Changes due to changes in credit risk due to transferred within stages				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Bad debt written off	-	-	(565)	(565)
New loans/financing originated or purchased	10	-	-	10
Changes due to changes in credit risk	**(40)**	**-**	**-**	**(40)**
At 31 December 2019	**27**	**-**	**-**	**27**

Table 7b: Movements in gross carrying amount of loans, advances and financing that contributed to changes in the expected credit losses (RM '000)

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Gross loan, advances and financing Total RM'000
At the beginning of the financial year	53,431	-	2,883	56,314
Transfer between stages				
Changes due to changes in credit risk				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Write back in respect of full recoveries	-	-	(2,666)	(2,666)
Bad debt written off	-	-	(565)	(565)
New loans/financing originated or purchased	4,646	-	348	4,994
Changes due to changes in credit risk	(8,929)	-	-	(8,929)
At the end of financial period	**49,148**	**-**	**-**	**49,148**

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 (ECAIs) on borrowers or specific securities issued by the borrower are the basis for the determination of risk weights under 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 31 December 2019 (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%	20,839	-	-	-	-	-	-	-	417	-	-	-	21,256	-
20%	-	-	440,844	-	65,801	-	-	-	-	-	-	-	506,645	101,328
50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	42,516	-	-	-	3,407	-	-	-	45,923	45,923
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposure	**20,839**	**-**	**440,844**	**-**	**108,317**	**-**	**-**	**-**	**3,824**	**-**	**-**	**-**	**573,824**	**147,251**
Total RWA	**-**	**-**	**88,169**	**-**	**55,675**	**-**	**-**	**-**	**3,407**	**-**	**-**	**-**		**147,251**
Average Risk Weight	**0.00%**		**20.00%**		**51.40%**				**89.10%**					
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

Table 8b: Disclosure on Risk Weights under Standardised Approach as at 31 December 2018 (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 DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing / Investment	Securitisation	Equity		
0%	31,122	-	-	-	-	-	-	-	453	-	-	-	**31,575**	**-**
20%	-	-	310,616	-	61,034	-	-	-	-	-	-	-	**371,650**	**74,331**
50%	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**
100%	-	-	-	-	58,863	-	-	-	3,233	-	-	-	**62,096**	**62,096**
150%	-	-	-	-	2,318	-	-	-	-	-	-	-	**2,318**	**3,477**
Total Exposure	**31,122**	-	**310,616**	**-**	**122,215**	**-**	**-**	**-**	**3,686**	**-**	**-**	**-**	**467,639**	**139,904**
Total RWA	**-**	-	**62,123**	**-**	**74,547**	**-**	**-**	**-**	**3,233**	**-**	**-**	**-**		**139,904**
Average Risk Weight	**0.00%**		**20.00%**	**-**	**60.99%**	**-**	**-**	**-**	**87.71%**	**-**	**-**	**-**		
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

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

Corporates	Ratings of Corporates 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	
31 Dec 2019		60,995	-	-	-	66,883
31 Dec 2018		61,033	-	-	-	75,575

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	
31 Dec 2019		312,870	-	128,394	-	-
31 Dec 2018		278,976	-	31,640	-	-

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

Sovereigns	Ratings of Sovereigns 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	
31 Dec 2019		20,839	-	-	-	-
31 Dec 2018		31,122	-	-	-	-

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 31 December 2019 (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	20,839	-	-	-
Banks, Development Financial Institutions & MDBs	440,844	-	-	-
Corporate	114,922	-	16,575	-
Other Assets	3,824	-	-	-
Defaulted Exposures	-	-	-	-
Total for On-Balance Sheet Exposures	**580,429**	**-**	**16,575**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	9,950	-	4,454	-
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**9,950**	**-**	**4,454**	**-**
Total On and Off-Balance Sheet Exposures	**590,379**	**-**	**21,029**	**-**

Table 10b: Disclosure on Credit Risk Mitigation Analysis as at 31 December 2018 (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	31,122	-	-	-
Banks, Development Financial Institutions & MDBs	310,598	-	-	-
Corporate	114,407	-	10,962	-
Other Assets	3,686	-	-	-
Defaulted Exposures	2,318	-	-	-
Total for On-Balance Sheet Exposures	**462,131**	**-**	**10,962**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives	18	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	19,883	-	3,431	-
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**19,901**	**-**	**3,431**	**-**
Total On and Off-Balance Sheet Exposures	**482,032**	**-**	**14,393**	**-**

5.4 Off-Balance Sheet Exposure

Table 11a: Disclosures of Off-Balance Sheet Items as at 31 December 2019 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	**3,526**		**3,507**	**2,097**
Transaction-Related Contingent Items	**753**		**376**	**176**
Short-Term Self-Liquidating Trade Related Contingencies	**1,250**		**250**	**119**
Foreign exchange related contracts				
One year or less	4,136	-	-	-
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	**278**		**139**	**138**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**28,389**		**5,678**	**1,934**
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	**38,332**	**-**	**9,950**	**4,454**

Table 11b: Disclosures of Off-Balance Sheet Items as at 31 December 2018 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	**12,450**	**-**	**12,437**	**10,890**
Transaction-Related Contingent Items	**25**	**-**	**12**	**2**
Short-Term Self-Liquidating Trade Related Contingencies	**2,934**	**-**	**583**	**537**
Foreign exchange related contracts				
One year or less	3,236	13	18	4
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	**278**	**-**	**139**	**138**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**33,559**	**-**	**6,712**	**4,885**
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	**52,482**	**13**	**19,901**	**16,456**

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 in earnings and capital.

Liquidity risk is the potential of 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 Assets & Liabilities Committee (ALCO), which meets at least once a month. The ALCO is responsible for ensuring that detailed analyses of assets and liabilities are carried out 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 the liquidity requirement as set forth by BNM, for the generation of income from prudent risk-taking activities in underlying interest rate and foreign exchange markets with the approval of the ALCO, and for managing the market risks of the Bank's assets and liabilities and foreign exchange positions.

6.1 Interest Rate Risk in the Banking Book (IRRBB)

IIBM's market risk comprises mainly of 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 rates 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 the risk that arises from timing differences or mismatches in the maturity and interest rate changes in bank's assets and liabilities.
- Options Risk: It is the 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 the risk that arises from changes 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 are slotted in time bands according to the time remaining to maturity or time remaining to the next re-pricing date.
- 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. This gives an indication of the underlying value of the Bank's current position and provides the potential longer-term 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

	31 December 2019 (RM '000)	**31 December 2018 (RM '000)**
Movement in Basis Points	*+ 100 bps*	*+ 100 bps*
Effect on Net Interest Income	1,226	1,060
Effect on Economic Value of Equity	2,549	2,609

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. Operational risk can occur in various ways. These include breakdowns, errors and business interruptions. They can potentially result in financial losses and other damages to the Bank.

Operational risks are managed and controlled within the individual business lines. Checks and balances to address operational risks have been developed as an important part of the Bank's risk management culture. They include established policies and procedures, internal controls, contingency planning and regular organizational review. 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

	31 December 2019 (RM '000)	31 December 2018 (RM '000)
Total RWA for Operational Risk	29,170	27,757