Registration No

201001027747 (911666-D)

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD (201001027747 (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 2023

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1.0 OVERVIEW

The Pillar 3 Disclosure for the financial year ended 31 December 2023 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 2023 and is to be read in conjunction with the Bank's audited financial statements for the financial year–ended 31 December 2023.

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 Union Bank of India (formerly 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 December 2023 (RM '000)	31 December 2022 (RM '000)
Common Equity Tier-1 Capital		
Share Capital	330,000	330,000
Accumulated Loss	(10,492)	(10,203)
Total Common Equity Tier-1 Capital	**319,508**	**319,797**
Additional Tier-1 Capital		
Additional Tier 1 Capital Instruments	-	-
Share Premium	-	-
Total Tier-1 Capital	**319,508**	**319,797**
Tier-2 Capital		
General Provision	-	-
Stage 1 and 2 ECL	216	71
Regulatory Reserves	3,165	1,320
Total Tier-2 Capital	**3,381**	**1,391**
Total Capital	**322,889**	**321,188**

2.2 Internal Capital Adequacy Assessment Process (ICAAP)

The Bank's ICAAP Framework has 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 risks captured under Pillar 1: Credit risk, market risk and operational risk and risk such as liquidity risk and interest rate 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 December 2023 (RM '000)**	**31 December 2022 (RM '000)**
Credit RWA	184,781	105,355
Market RWA	577	164
Operational RWA	21,747	20,234
Total Risk-Weighted Assets	**207,105**	**125,753**

Capital Ratios	**31 December 2023 (RM '000)**	**31 December 2022 (RM '000)**
Core Capital Ratio	154.273%	254.306%
Risk-Weighted Capital Ratio	155.906%	255.412%

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 2023 (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		158,581	153,585	40,722	3,258
Sovereigns & Central Banks		51,892	51,892	-	-
Banks, Development Financial Institutions & MDBs		449,749	449,749	127,092	10,167
Other Assets		4,796	4,796	4,307	345
Defaulted Exposures		353	353	530	42
Total for On-Balance Sheet Exposures		**665,371**	**660,375**	**172,651**	**13,812**
Off-Balance Sheet Exposures					
OTC Derivatives		-	-	-	-
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		12,130	12,130	12,130	970
Defaulted Exposures		-	-	-	-
Total Off-Balance Sheet Exposures		12,130	12,130	12,130	970
Total On and Off-Balance Sheet Exposures *(A)*		**677,501**	**672,505**	**184,781**	**14,782**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	577	-		577	46
Total Market Exposures *(B)*				**577**	46
Operational Risk (Basic Indicator Approach) *(C)*				**21,747**	**1,740**
Total RWA and Capital Requirements *(A+B+C)*				**207,105**	**16,568**

Table 2a: Disclosure on Capital Adequacy under Standardised Approach as at 31 December 2022 (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		62,940	59,671	27,704	2,216
Sovereigns & Central Banks		53,863	53,863	-	-
Banks, Development Financial Institutions & MDBs		337,322	337,322	67,464	5,397
Other Assets		6,834	6,834	6,234	499
Defaulted Exposures		-	-	-	-
Total for On-Balance Sheet Exposures		**460,959**	**457,690**	**101,402**	**8,112**
Off-Balance Sheet Exposures					
OTC Derivatives		-	-	-	-
Credit Derivatives		-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		4,653	3,953	3,953	316
Defaulted Exposures		-	-	-	-
Total Off-Balance Sheet Exposures		**4,653**	**3,953**	**3,953**	**316**
Total On and Off-Balance Sheet Exposures *(A)*		**465,612**	**461,643**	**105,355**	**8,428**
Market Risk (Standardised Approach)	**Long Position**	**Short Position**			
Foreign Currency Risk	-	164		164	13
Total Market Exposures *(B)*				**164**	13
Operational Risk (Basic Indicator Approach) *(C)*				**20,234**	**1,619**
Total RWA and Capital Requirements *(A+B+C)*				**125,753**	**10,060**

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) and Board Nomination and Remuneration Committee (BNRC). 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 2023 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	170,711	-	170,711
Regulatory Retail	-	-	-
Sovereigns & Central Banks	51,892	-	51,892
Banks, Development Financial Institutions & MDBs	325,941	123,808	449,749
Other Assets	4,796	-	4,796
Defaulted Exposures	353	-	353
Total Credit Exposure	**553,693**	**123,808**	**677,501**

Table 3b: Disclosure on Credit Risk Exposure – Geographical Analysis as at 31 December 2022 (RM '000)

Geographical Exposure	Malaysia	Other Countries	Total
Exposures under the Standardised Approach			
Corporate	60,905	6,688	67,593
Regulatory Retail	-	-	-
Sovereigns & Central Banks	53,863	-	53,863
Banks, Development Financial Institutions & MDBs	276,746	60,576	337,322
Other Assets	6,834	-	6,834
Defaulted Exposures	-	-	-
Total Credit Exposure	**398,348**	**67,264**	**465,612**

Table 4a: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2023 (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	31,296	-	-	-	-	-	31,296
Electricity, Gas & Water Supply		-	-	-	-	-	-
Construction	16,381	-	-	-	-	-	16,381
Wholesale, Retail Trade and Restaurant & Hotels	25,331	-	-	-	-	353	25,684
Transport, Storage and Communication	-	-	-	-	-	-	-
Finance, Insurance, Real Estate & Business Activities	53,192	-	51,892	449,749	-	-	554,833
Education, Health & Others	44,511	-	-	-	-	-	44,511
Household	-	-	-	-	-	-	-
Sector N.E.C.	-	-	-	-	4,796	-	4,796
Total	**170,711**	**-**	**51,892**	**449,749**	**4,796**	**353**	**677,501**

Table 4a: Disclosure on Credit Risk Exposure – Sectoral Analysis as at 31 December 2022 (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	18,428	-	-	-	-	-	18,428
Electricity, Gas & Water Supply		-	-	-	-	-	-
Construction	1,217	-	-	-	-	-	1,217
Wholesale, Retail Trade and Restaurant & Hotels	741	-	-	-	-	-	741
Transport, Storage and Communication		-	-	-	-	-	-
Finance, Insurance, Real Estate & Business Activities	43,231	-	53,863	337,322	-	-	434,416
Education, Health & Others	3,976	-	-	-	-	-	3,976
Household	-	-	-	-	-	-	-
Sector N.E.C.	-	-	-	-	6,834	-	6,834
Total	**67,593**	**-**	**53,863**	**337,322**	**6,834**	**-**	**465,612**

Table 5a: Disclosure on Credit Risk Exposure – Maturity Analysis* as at 31 December 2023 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	171,064	-	-	171,064
Regulatory Retail	-	-	-	-
Sovereigns & Central Banks	51,892	-	-	51,892
Banks, Development Financial Institutions & MDBs	449,749	-	-	449,749
Other Assets	4,796	-	-	4,796
Total Credit Exposure	**677,501**	**-**	**-**	**677,501**

*With recent decision to windup, behavioural maturity of one year has been considered.

Table 5b: Disclosure on Credit Risk Exposure – Maturity Analysis as at 31 December 2022 (RM '000)

Exposure Class	One Year or Less	One to Five Years	Over Five Years	Total
Exposures under the Standardised Approach				
Corporate	45,931	20,324	1,338	67,593
Regulatory Retail	-	-	-	-
Sovereigns & Central Banks	12,277	41,586	-	53,863
Banks, Development Financial Institutions & MDBs	337,322	-	-	337,322
Other Assets	6,834	-	-	6,834
Total Credit Exposure	**402,364**	**61,910**	**1,338**	**465,612**

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.

(vii) The impairment is conducted in line with MFRS 9 Guideline.

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 2023 (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	-	-	-	-
Purchase of Fixed Asset other than Land / Buildings	-	-	-	-
Working Capital	8	22	-	-
Total	**8**	**22**	**-**	**-**

Table 6b: Net Impaired Loans, Expected Credit Loss and Write-offs as at 31 December 2022 (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	-	-	-	-
Purchase of Fixed Asset other than Land / Buildings	-	-	-	-
Working Capital	2	-	-	-
Total	**2**	**-**	**-**	**-**

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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023,	1	1	-	2
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)	(1)	-	-	(1)
Financial assets derecognized	-	-	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit Risk	**5**	**2**	**22**	**29**
At 31 December 2023	**5**	**3**	**22**	**30**

*The expected credit losses for changes due to transfer to lifetime ECL not credit risk amounts to RM327.

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022,	6	-	-	6
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)	(1)	1	-	-
Financial assets derecognized	-	-	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	**(4)**	**-***	**-**	**(4)**
At 31 December 2022	**1**	**1**	**-**	**2**

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

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2023,	16,245	6,738	-	22,983
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)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 3)	-	(956)	956	-
Financial assets derecognised	(4,231)	-	-	(4,231)
Write back in respect of full recoveries	-	-	(581)	(581)
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	(435)	149	-	(286)
At 31 December 2023	**11,579**	**5,931**	**375**	**17,885**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2022,	14,797	1,268	-	16,065
Changes due to changes in credit risk due to transferred within stages				
Transfer to 12-month ECL (Stage 1)	-	-	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,903)	3,903	-	-
Transfer to lifetime ECL not credit impaired (Stage 3)	-	-	-	-
Financial assets derecognised	(2,073)	-	-	(2,073)
Write back in respect of full recoveries	-	-	-	-
New financial assets originated	6,688	-	-	6,688
Changes due to changes in credit risk	736	1,567	-	2,303
At 31 December 2022	**16,245**	**6,738**	**-**	**22,983**

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) are used for sovereigns, central banks, public sector entities, banks, corporates as well as certain other specific portfolios and for the SMEs the internal rating model are used. These internal or external ratings form the basis for the determination of risk weights under Standardised Approach.

Table 8a: Disclosure on Risk Weights under Standardised Approach as at 31 December 2023 (RM '000)

	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	**Public sector entities**	**Banks, Development Financial Institutions and MDBs**	**Corporates**	**Residential mortgages**	**Higher risk assets**	**Other assets**	**Equity**	**Total exposures after netting and credit risk mitigation**	**Total Risk Weighted Assets**
Risk weights										
0%	51,892	-	-	-	-	-	489	-	52,381	-
20%	-	-	325,941	141,078	-	-	-	-	467,020	93,404
50%	-	-	123,808	-	-	-	-	-	123,808	61,904
100%	-	-	-	24,637	-	-	4,307	-	28,943	28,943
150%	-	-	-	353	-	-	-	-	353	530
Total exposures	**51,892**	**-**	**449,749**	**166,068**	**-**	**-**	**4,796**	**-**	**672,505**	**184,781**
Total Risk Weighted Assets	**-**	**-**	**127,092**	**53,382**	**-**	**-**	**4,307**	**-**		**184,781**
Average Risk Weight	**-**	**-**	**28.26%**	**32.14%**	**-**	**-**	**89.80%**			
Deduction from Capital Base	-	-	-	-	-	-	-	-		

Table 8b Disclosure on Risk Weights under Standardised Approach as at 31 December 2022 (RM '000)

	Exposures after Netting and Credit Risk Mitigation									
	Sovereigns/ Central banks	Public sector entities	Banks, Development Financial Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity	Total exposures after netting and credit risk mitigation	Total Risk Weighted Assets
Risk weights										
0%	53,863	-	-	-	-	-	600	-	54,463	-
20%	-	-	337,322	39,959	-	-	-	-	377,281	75,456
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	23,665	-	-	6,234	-	29,899	29,899
Total exposures	**53,863**	**-**	**337,322**	**63,624**	**-**	**-**	**6,834**	**-**	**461,643**	**105,355**
Total Risk Weighted Assets	**-**	**-**	**67,464**	**31,657**	**-**	**-**	**6,234**	**-**		**105,355**
Average Risk Weight	**-**	**-**	**20.00%**	**49.76%**	**-**	**-**	**91.22%**			
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		

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

		Ratings of Corporates by Approved ECAIs				
Corporates	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 December 2023		141,078	-	-	-	29,986
31 December 2022		47,115	8,578	11,885	-	15

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

		Short Term Ratings of Banking Institutions by Approved ECAIs				
Banks	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 December 2023		325,941	-	123,808	-	-
31 December 2022		276,746	-	60,510	66	-

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

		Ratings of Sovereigns by Approved ECAIs				
Sovereigns	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 December 2023		51,892	-	-	-	-
31 December 2022		53,863	-	-	-	-

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 2023 (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	51,892	-	-	-
Banks, Development Financial Institutions & MDBs	449,749	-	-	-
Corporate	170,711	-	4,995	-
Other Assets	4,796	-	489	-
Defaulted Exposures	-	-	-	-
Total for On-Balance Sheet Exposures	677,148	**-**	**5,484**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives		-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives		-	-	-
Defaulted Exposures	353	-	-	-
Total Off-Balance Sheet Exposures	353	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**677,501**	**-**	**5,484**	**-**

Table 10b: Disclosure on Credit Risk Mitigation Analysis as at 31 December 2022 (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	53,863	-	-	-
Banks, Development Financial Institutions & MDBs	337,322	-	-	-
Corporate	62,940	-	3,969	-
Other Assets	6,834	-	600	-
Defaulted Exposures	-	-	-	-
Total for On-Balance Sheet Exposures	**460,959**	**-**	**4,569**	**-**
Off-Balance Sheet Exposures				
OTC Credit Derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,653	-	-	-
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**4,653**	**-**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**465,612**	**-**	**4,569**	**-**

5.4 Off-Balance Sheet Exposure

Table 11a: Disclosures of Off-Balance Sheet Items as at 31 December 2023 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	10,611	-	10,611	10,611
Transaction-Related Contingent Items	337	-	168	168
Short-Term Self-Liquidating Trade Related Contingencies	2,248	-	450	450
Foreign exchange related contracts				
One year or less	1,150	-	-	-
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	4,507	-	901	901
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	**18,853**	-	**12,130**	**12,130**

Table 11b: Disclosures of Off-Balance Sheet Items as at 31 December 2022 (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,093	-	1,093	741
Transaction-Related Contingent Items	1,043	-	522	332
Short-Term Self-Liquidating Trade Related Contingencies	2,289	-	458	323
Foreign exchange related contracts				
One year or less	177	-	-	-
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	12,901	-	2,580	2,557
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	17,503	-	4,653	3,953

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

Movement in Basis Points	**31 December 2023 (RM '000)** *+ 100 bps*	**31 December 2022 (RM '000)** *+ 100 bps*
Effect on Net Interest Income	921	2,216
Effect on Economic Value of Equity	5,940	1,948

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 2023 (RM '000)	31 December 2022 (RM '000)
Total RWA for Operational Risk	21,747	20,234