Basel II Pillar 3 Disclosure for 2014

- CIMB Bank Berhad

Contents

ABBREVIATIONS

A-IRB Approach	:	Advanced Internal Ratings Based Approach
BI	:	Banking Institutions
BIA	:	Basic Indicator Approach
BNM	:	Bank Negara Malaysia
BRC	:	Board Risk Committee
CAF	:	Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework
CAFIB	:	Capital Adequacy Framework for Islamic Banks
CAR	:	Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio
CBSM	:	Capital and Balance Sheet Management
CBTM	:	Corporate Banking, Treasury and Markets
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB FactorleaseBerhad and non-financial subsidiaries
CIMBISLG	:	CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) SdnBhd and CIMB Islamic Nominees (Tempatan) SdnBhd
CIMBIBG	:	CIMB Investment Bank Berhad, CIMB Futures SdnBhd and non-financial subsidiaries
CIMBGH Group	:	Group of Companies under CIMB Group Holdings Berhad
CIMBTH	:	CIMB Thai Bank Public Company Ltd and its subsidiaries
CIMB Bank	:	CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CRO	:	Group Chief Risk Officer
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EaR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach
Fitch	:	Fitch Ratings

ABBREVIATIONS *(continued)*

GCC	: Group CreditCommittee
GCPRC	: Group Credit Policy & Portfolio Risk Committee
GIBD	: Group Islamic Banking Division
GMRC	: Group Market Risk Committee
GRC	: Group Risk Committee
GRD	: Group Risk Division
GUC	: Group Underwriting Committee
HPE	: Hire Purchase Exposures
IRB Approach	: Internal Ratings Based Approach
IRRBB	: Interest Rate Risk in the Banking Book
KRI	: Key Risk Indicators
LGD	: Loss Given Default
MARC	: Malaysian Rating Corporation Berhad
MDBs	: Multilateral Development Banks
Moody's	: Moody's Investors Service
MTM	: Mark-to-Market and/or Mark-to-Model
ORM	: Operational Risk Management
ORMF	: Operational Risk Management Framework
OTC	: Over the Counter
PD	: Probability of Default
PSEs	: Non-Federal Government Public Sector Entities
PSIA	: Profit Sharing Investment Accounts
QRRE	: Qualifying Revolving Retail Exposures
R&I	: Rating and Investment Information, Inc
RAM	: RAM Rating Services Berhad
RAROC	: Risk Adjusted Return on Capital
RORBB	: Rate of Return Risk in the Banking Book
RRE	: Residential Real Estate
RWA	: Risk-Weighted Assets
RWCAF	: Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework
S&P	: Standard & Poor's
SA	: Standardised Approach
SMEs	: Small and Medium Enterprises
SNC	: Shariah Non Compliance
VaR	: Value at Risk

OVERVIEW OF BASEL II AND PILLAR 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as'CIMBBG'); apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

Frequency of Disclosure

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

Medium and Location of Disclosure

The disclosures are available on CIMBGH Group's corporate website (www.cimb.com). The consolidated disclosures for CIMB Bank, CIMB Islamic and CIMBIB are also available in CIMBGH Group's 2014Annual Report and corporate website.

OVERVIEW OF BASEL II AND PILLAR 3 *(continued)*

Basis of Disclosure

The disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3).These disclosures published are for the year ended 31 December 2014.

The basis of consolidation for financial accounting purposes is described in the 2014financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, CIMB Bank did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes. For the purposes of this disclosure, the disclosures presented within will be representative of the CIMB Bank entity disclosures only.

The term 'credit exposure' as used in this disclosure is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2014financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2014financial statements for CIMB Bank.

Any discrepancies between the totals and sum of the components in the tables contained in this disclosure are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

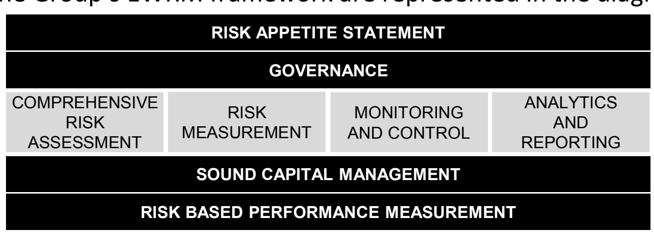
The objectives of CIMB Group's risk management activities are to:

- Identify the various risk exposures and capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through proper allocation of capital and facilitate development of new businesses.

Enterprise Wide Risk Management Framework

CIMB Group employs an EWRM framework as a standardised approach to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

The key components of the Group's EWRM framework are represented in the diagram below:



The design of the EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach with formal policies and procedures addressing all areas of significant risks for the Group.

a) Risk Appetite Statement

Risk appetite defines the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. In CIMB Group, the risk appetite is linked to strategy development and business and capital management plans. It takes into account not only growth, revenue and commercial aspirations, but also the capital and liquidity positions and risk management capabilities and strengths, including risk systems, processes and people. Going forward, risk appetite statements will be formulated for key business units as well as incorporate stress testing.

CIMB Group has a dedicated team that facilitates the risk appetite setting process including reviewing, monitoring and reporting. BRC and GRC receive monthly reports on compliance with the risk appetite.

RISK MANAGEMENT OVERVIEW *(continued)*

Enterprise Wide Risk Management Framework (continued)

b) Governance

A strong risk governance structure is what binds the EWRM framework together. The Board of Directors is ultimately responsible for the Group's risk management activities, and provides strategic direction through the Risk Appetite Statement and relevant risk management frameworks for the Group.

The implementation and administration of the EWRM framework are effected through the three lines of defence model with oversight by the risk governance structure which consists of various risk committees, as described below. GRD is principally tasked to assist the various risk committees and undertakes the performance of independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is also subjected to the independent assurance and assessment by Group Internal Audit Division.

c) Comprehensive Risk Assessment

Comprehensive Risk Assessment provides the process for the identification of the Group's material risks, from the perspectives of impact on the Group's financial standing and reputation. Apart from the annual comprehensive risk assessment exercise, the Group's material risks are identified on an on-going basis as well as part of the consideration for any strategic projects, including new product development.

d) Risk Measurement

Consistent and common methodologies of Risk Measurement allow for the Group to aggregate and compare risks across business units, geographies and risk types. Further, it provides a tool for the Board and Senior Management to assess the sufficiency of its liquidity surplus and reserves, and health of its capital position under various economic and financial situations.

e) Monitoring and Control

Various risk management tools are employed to Monitoring and Control the risk taking activities within the Group. These include limit monitoring, hedging strategies and clearly documented control processes. These controls are regularly monitored and reviewed in the face of changing business needs, market conditions and regulatory changes.

f) Analytics and Reporting

Timely reporting and meaningful analysis of risk positions are critical to enable the Board and Senior Management to exercise control over material exposures and make informed business decisions.

g) Sound Capital Management

The Group's capital resources are continuously assessed and managed to undertake its day-to-day business operations and risk-taking activities, including considerations for its business expansion and growth. Each year internal capital targets will be set and capital will be allocated to each business units based on the respective business plans, budgeted profit and targeted Risk Adjusted Return on Capital (RAROC).

h) Risk Based Performance Measurement

Business units' economic profitability will be measured having considered both its risks and capital consumption. The adoption of a risk-based performance measurement allows for performance and profitability of different business units to be compared on a common yardstick.

RISK MANAGEMENT OVERVIEW *(continued)*

Risk Governance

In the year under review, the Board approved a revision to the Group's risk governance structure, with the establishment of several risk committees, thereby allowing for more thorough Group-wide deliberation at a specialized risk level.

Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdiction. Whilst recognizing the autonomy of local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance process.

At the apex of the governance structure are the respective Boards, which decides on the entity's Risk Appetite corresponding to its business strategies. In accordance to the Group's risk management structure, the BRC reports directly into each Board and assumes responsibility on behalf of the Board for the supervision of risk management and control activities. The BRC determines the Group's risk strategies, policies and methodologies, keeping them aligned with the principles within the Risk Appetite Statement. The BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of the GRC.

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within the Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units.

The responsibility of the supervision of the risk management functions is delegated to the GRC, which reports directly to the BRC. The GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated risk appetite of the Group. The GRC is further supported by specialised risk committees, namely Group Credit Policy & Portfolio Risk Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Basel Steering Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.

The revised structure of the Group's Risk Committees and an overview of the respective committee's roles and responsibilities are as follows:

Board of Directors

Board Shariah Committee
- Oversee all Shariah matters of the Group

Board Risk Committee
- Determine the Group's risk strategies, policies and methodologies
- Oversee implementation of the EWRM framework, provide strategic guidance and review the decisions of the GRC

Group Risk Committee
- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved risk appetite
- Outline key risks and strategies to improve risk management across the Group

Group Operational Risk Committee
- Review key operational risks impacting or potentially impacting the Group
- Review the appropriateness of the framework to manage the risk
- Review on-going or planned remediation for known risks
- Review all events leading material non-compliance including Shariah non-compliance

Group Reputation Risk Committee
- Ensure appropriateness of reputational risk policies
- Review key reputational risks impacting CIMB Group and track feedback from management in response to these risks

Group Asset Liability Management Committee (GALCO)
- Oversee management of the Group's overall balance sheet, net interest income/margin, liquidity risk and interest rate risk in the banking book (IRRBB)/rate of return in the banking book (RORBB)
- Ensure risk profile is kept within the established risk appetite/limits

MalaysiaAsset Liability Management Committee (MALCO)
- Oversee management of the overall balance sheet, net interest income/ margin, liquidity risk and IRRBB/RORBB for CIMB's Malaysian entities
- Ensure risk profile is kept within the established risk appetite/limits

Group Credit Policy & Portfolio Risk Committee
- Ensure adherence to the Board approved credit risk appetite
- Ensure effectiveness of credit risk management
- Articulate key credit risk and its mitigating controls

Group Credit Committee
- Review, recommend for Group EXCO and approve or concur credit applications from entities across CIMB Group
- Establish regional specific standards as appropriate and ensure alignment with the broad credit policies, processes and risk appetite framework within CIMB Group
- Ensure Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies , procedures and risk appetite

Consumer Bank Credit Committee
- Review and approve credit/financing applications in relation to Malaysian and non-Malaysian centric customer groups exposures originating from business units within Consumer Banking and CIMB Investment Bank

Regional Private Banking Credit Committee
- Review and consider credit applications originating from the Group Private Banking, and approve or concur or recommend them to the next appropriate credit committee, EXCO or Board for approval

Group Market Risk Committee
- Ensure effectiveness of risk management across the Group
- Ensure adherence to the Board approved market risk appetite
- Articulate key market risks and the corresponding mitigating controls

Group Underwriting Committee
- Review and approve or concur primary and secondary market deals for debt and equity instruments for the Group
- Ensure adequate pricing to compensate for risk and sufficient measures are taken to mitigate against adverse market movements
- Ensure proper governance around unsuccessful transactions

Basel Steering Committee
- Oversee implementation of Basel regulations in the banking entities under the Group

RISK MANAGEMENT OVERVIEW *(continued)*

Risk Governance (continued)

Similar risk committees are set-up in each of the Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group also strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities in the Group.

Three-Lines of Defence

The Group's risk management approach is based on the three-lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions, performs independent monitoring of business activities and reports to management to ensure that the Group is conducting business and operating within the approved appetite and in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance to the Boards that the internal controls and risk management activities are functioning effectively.

The Roles of CRO and Group Risk Division

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence. GRD is headed by the Group Chief Risk Officer who is appointed by the Board to spearhead risk management functions and implementation of the Enterprise-Wide Risk Management. The CRO:

a) Actively engages the Board and senior management on risk management issues and initiatives.
b) Maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there is a local Chief Risk Officer or a Country Risk Lead Officer, whose main function is to assess and manage the enterprise risk and regulators in the respective country.

The GRD teams are organised into several Risk Centres of Excellence in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure Centre of Excellence

   Risk Analytics& Infrastructure Centre of Excellence focuses on credit capital quantification and analytics including the implementation of group-wide Basel II framework; corporate credit portfolio analytics and reporting; and credit concentration measurement and monitoring.

RISK MANAGEMENT OVERVIEW *(continued)*

The Roles of CRO and Group Risk Division (continued)

b) Market Risk Centre of Excellence

In propagating and ensuring compliance to the market risk framework, the Market Risk Centre of Excellence reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market valuation. It also coordinates capital market product deployments.

c) Operational Risk Centre of Excellence

The Operational Risk Centre of Excellence provides the methodology and process for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group. It provides challenge and oversight over the execution of this framework by the first line of defence.

d) Asset Liability Management Centre of Excellence

It is primarily responsible for the independent monitoring and assessment of the Group's asset and liability management process governing liquidity risk and interest/benchmark rate risk as well as recommending policies and methodologies to manage the said risks.

e) Credit Risk Centre of Excellence

The Credit Risk Centre of Excellence is dedicated to the assessment, measurement, management and monitoring of credit risk of CIMB Group. It ensures a homogenous and consistent approach to:

- Credit Risk Policies and Procedures;
- Credit Risk Models;
- Credit Risk Methodologies; and
- Portfolio Analytics,

as well as a holistic and integrated approach to identification, assessment, decision-making and reporting of credit risk of the Group.

f) Shariah Risk Management Centre of Excellence

The Shariah Risk Management Centre of Excellence (SRM CoE) formulates Shariah Risk Management Framework (SRMF) and provides guidance and training on the SNC Risk Management (SRM) to enable the first line of defence to identify, assess, monitor and control SNC risk in their Islamic business operations and activities.

In addition to the above Risk Centres of Excellence, Regional Risk was established with the objective of overseeing the risk management functions of the regional offices as well as the Group's unit trust and securities businesses. Regional Risk also houses the validation team.

The regional offices and the respective teams in risk management units within the unit trust business and securities businesses identify, analyse, monitor, review and report the relevant material risk exposures of each individual country and/or businesses.

The Regional Risk Validation Team is independent from the risk taking units and model development team. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on Basel related risk models and components comprising credit risk, traded risk, non traded risk and other Basel related risk models. The unit provides recommendations to the modelling team and the business users and reports to Regional Risk. The findings and recommendations will be reported to GRC and BRC.

RISK MANAGEMENT OVERVIEW *(continued)*

The Roles of CRO and Group Risk Division (continued)

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group's EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without any risk management department, all risk management activities will be centralised at relevant Risk Centres of Excellence. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to respective Risk Centres of Excellence.

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate Risk/Rate of Return Risk in the Banking Book are available in the later sections.

SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking Division (GIBD). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates the Shariah governance functions to the Board Shariah Committee established under CIMB Islamic Bank.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the day-to-day running of Shariah management is performed by the Group CEO and CEO of Group Islamic Banking.

Group Shariah& Islamic Legal (GSIL) which is basically a component of the Management serves as a coordinator and manager of the overall Shariah governance and compliance of the Islamic businesses in CIMB. In performing its roles, GSIL is complemented by the roles of the Shariah Compliance Functions/Units consisting of Shariah Compliance Review Unit, Shariah Audit and Shariah Risk Management Centre of Excellence.

The Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

Monitoring of Shariah compliance and Shariah governance process is carried out through Shariah Compliance Review and Shariah Audit functions, supported by Shariah Risk Management control process and internal Shariah Research capacity. In CIMB Group, the Shariah Compliance Review, Shariah Audit and Shariah Risk Management functions reside in Group Compliance, Group Internal Audit Division and Group Risk Division respectively, supported by GSIL.

In summary, the ownership of the whole Shariah governance framework is under the purview of GIBD with the nexus of its oversight function residing under GSIL. The implementation of the various components of the Shariah governance framework therefore falls within the purview of Group Risk Division, Group Internal Audit Division, Group Compliance and Shariah Research (under GSIL) and it is looked at jointly and severally by the four divisions/departments.

Rectification process of Shariah non-compliance income occurring during the year

During the year ended 31 December 2014, an amount of RM 508,827 was recorded as Shariah non-compliance (SNC) income. For the purpose of rectification, the stated amount will be channelled to the approved charitable bodies accordingly.

CAPITAL MANAGEMENT

Key Capital Management Principles

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the Group EXCO who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

Capital Structure and Adequacy

The relevant entities under the Group have issued various capital instruments pursuant to the respective regulatory guidelines, including Tier 2 subordinated debt, innovative and non-innovative Tier 1 hybrid securities that qualify as capital pursuant to the RWCAF and CAFIB issued by BNM. However, with the implementation of Basel III under the Capital Adequacy Framework (Capital Components) beginning 1 January 2013, these capital instruments are subject to a gradual phase-out treatment which will eventually result in a full derecognition by 1 January 2022. Therefore, in order for the Group to maintain adequate capital it has issued a few Basel III compliant instruments during the financial year and will continually review potential future issuances under the Capital Management Plan. Notes 27 to 29 in CIMBGH Financial Statements show the summary of terms and conditions of the capital instruments.

In addition to the above mentioned capital issuance, the Group has also increased CIMB Bank's Common Equity Tier 1 capital via rights subscriptions. This exercise was part of the reinvestment of cash dividend surplus arising pursuant to the implementation ofthe Dividend Reinvestment Scheme at CIMBGH. The Dividend Reinvestment Scheme was announced by the Group on 18 January 2013.

The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components). The minimum regulatory capital adequacy requirements in 2014 for the Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio are 4.0%, 5.5% and 8.0% respectively.

The table below presents the Capital Position of CIMB Bank Berhad.

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

Table 1: Capital Position for CIMB Bank

(RM'000)	CIMB Bank	
	2014	2013
Common Equity Tier 1 capital		
Ordinary shares	4,787,023	4,131,410
Other reserves	19,193,658	15,810,362
Less Proposed dividend	(753,000)	(752,000)
Common Equity Tier 1 capital before regulatory adjustments	**23,227,681**	**19,189,772**
Less: Regulatory adjustments		
Goodwill	(3,555,075)	(3,555,075)
Intangible assets	(844,072)	(852,787)
Deferred tax assets	(182,140)	(212,431)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(765,837)	-
Deductions in excess of Tier 2 capital	-	-
Shortfall in eligible provisions to expected losses	(125,800)	(151,434)
Others	(728,079)	(1,584,536)
Common Equity Tier 1 capital after regulatory adjustments / total	**17,026,678**	**12,833,509**
Additional Tier 1 capital		
Perpetual preference shares	160,000	180,000
Non-innovative Tier 1 capital	800,000	900,000
Innovative Tier 1 Capital	1,289,440	1,450,620
Additional Tier 1 capital before regulatory adjustments	**2,249,440**	**2,530,620**
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	(44,349)	-
Additional Tier 1 capital after regulatory adjustments	**2,205,091**	**2,530,620**
Total Tier 1 capital after regulatory adjustments	**19,231,769**	**15,364,129**
Tier 2 Capital		
Subordinated notes	6,050,000	6,050,000
Redeemable Preference Shares	29,470	29,740
Portfolio impairment allowance and regulatory reserves	240,204	207,315
Tier 2 capital before regulatory adjustments	**6,319,944**	**6,287,055**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

Table 1: Capital Position for CIMB Bank *(continued)*

(RM'000)	CIMB Bank	
	2014	**2013**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(3,245,289)	(4,480,601)
Total Tier 2 Capital	**3,074,655**	**1,806,454**
Total Capital	**22,306,424**	**17,170,853**
RWA		
Credit risk	125,820,234	109,355,391
Market risk	13,831,101	12,107,705
Operational risk	11,971,135	11,115,336
Large Exposure risk requirement	502,139	423,320
Total RWA	**152,124,609**	**133,001,752**
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	11.193%	9.649%
Tier 1 ratio	12.642%	11.552%
Total capital ratio	14.663%	12.910%

Total capital ratio increased in 2014 compared to 2013 due to an increase in Total Capital, mainly from the increase in Common Equity Tier 1 capital. The increase in Credit risk RWA was mainly due to growth in the Corporate and Bank portfolios whilst the increase in Market risk RWA was due to increases in options risk, equity risk and interest rate/benchmark rate risk exposures.

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

Table 2: Disclosure on Total RWA and Minimum Capital Requirement

2014					CIMB Bank
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	24,520,778	24,520,778	231,213	231,213	18,497
Public Sector Entities	2,362	2,362	472	472	38
Banks, DFIs & MDBs	180,505	180,505	62,183	62,183	4,975
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,119,261	1,807,119	1,137,053	1,137,053	90,964
Corporate	4,787,132	2,918,509	4,199,435	4,199,435	335,955
Regulatory Retail	23,150,758	11,082,915	9,152,673	9,152,673	732,214
Residential Mortgages/RRE Financing	543,180	542,175	315,552	315,552	25,244
Higher Risk Assets	1,103,266	1,103,266	1,654,900	1,654,900	132,392
Other Assets	4,618,709	4,618,709	2,351,457	2,351,457	188,117
Securitisation	556,996	556,996	111,399	111,399	8,912
Total for SA	**61,582,948**	**47,333,335**	**19,216,336**	**19,216,336**	**1,537,307**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	37,008,625	37,008,625	8,586,959	8,586,959	686,957
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	91,501,177	91,501,177	56,311,900	56,311,900	4,504,952
Residential Mortgages/RRE Financing	46,305,802	46,305,802	15,674,315	15,674,315	1,253,945
Qualifying Revolving Retail	12,368,636	12,368,636	7,939,746	7,939,746	635,180
Hire Purchase	8,936,898	8,936,898	5,848,897	5,848,897	467,912
Other Retail	19,408,351	19,408,351	6,207,898	6,207,898	496,632
Securitisation	-	-	-	-	-
Total for IRB Approach	**215,529,490**	**215,529,490**	**100,569,715**	**100,569,715**	**8,045,577**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**277,112,438**	**262,862,825**	**125,820,234**	**125,820,234**	**10,065,619**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

Table 2: Disclosure on Total RWA and Minimum Capital Requirement (continued)

2014					**CIMB Bank**
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Large Exposure Risk Requirement	**502,139**	**502,139**	**502,139**	**502,139**	**40,171**
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			10,667,378	10,667,378	853,390
Foreign Currency Risk			315,178	315,178	25,214
Equity Risk			738,832	738,832	59,107
Commodity Risk			6,508	6,508	521
Options Risk			2,103,206	2,103,206	168,256
Total Market Risk			**13,831,101**	**13,831,101**	**1,106,488**
Operational Risk (BIA)			**11,971,135**	**11,971,135**	**957,691**
Total RWA and Capital Requirement			**152,124,609**	**152,124,609**	**12,169,969**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

Table 2: Disclosure on Total RWA and Minimum Capital Requirement (continued)

2013					**CIMB Bank**
(RM'000) Exposure Class	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Credit Risk					
Exposures under the SA					
Sovereign/Central Banks	26,907,479	26,907,479	12,443	12,443	995
Public Sector Entities	1,776	1,776	355	355	28
Banks, DFIs & MDBs	203,063	203,063	86,310	86,310	6,905
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,661,428	1,577,923	921,884	921,884	73,751
Corporate	4,194,444	2,678,820	3,954,605	3,954,605	316,368
Regulatory Retail	19,594,814	9,131,743	7,591,756	7,591,756	607,340
Residential Mortgages/RRE Financing	400,636	400,636	201,374	201,374	16,110
Higher Risk Assets	1,174,020	1,174,020	1,761,029	1,761,029	140,882
Other Assets	3,919,796	3,919,796	1,727,556	1,727,556	138,204
Securitisation	794,721	794,721	327,900	327,900	26,232
Total for SA	**58,852,177**	**46,789,977**	**16,585,212**	**16,585,212**	**1,326,817**
Exposures under the IRB Approach					
Sovereign/Central Banks	1,974,001	1,974,001	279,845	279,845	22,388
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	30,097,570	30,097,570	6,950,464	6,950,464	556,037
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	79,496,603	79,496,603	47,326,430	47,326,430	3,786,114
Residential Mortgages/RRE Financing	40,527,216	40,527,216	14,483,019	14,483,019	1,158,642
Qualifying Revolving Retail	11,153,721	11,153,721	7,277,506	7,277,506	582,200
Hire Purchase	6,778,237	6,778,237	4,602,067	4,602,067	368,165
Other Retail	17,575,183	17,575,183	6,599,706	6,599,706	527,977
Securitisation	-	-	-	-	-
Total for IRB Approach	**187,602,531**	**187,602,531**	**87,519,038**	**87,519,038**	**7,001,523**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**246,454,707**	**234,392,507**	**109,355,392**	**109,355,392**	**8,748,431**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

Table 2: Disclosure on Total RWA and Minimum Capital Requirement *(continued)*

2013					CIMB Bank
(RM'000) **Exposure Class**	**Gross Exposure before CRM (SA)/EAD (IRB)**	**Net Exposure after CRM (SA)/EAD (IRB)**	**RWA**	**Total RWA after effects of PSIA**	**Minimum capital requirement at 8%**
Large Exposure Risk Requirement	**423,320**	**423,320**	**423,320**	**423,320**	**33,866**
Market Risk (SA)					
Interest Rate Risk/Benchmark Rate Risk			10,351,005	10,351,005	828,080
Foreign Currency Risk			322,316	322,316	25,785
Equity Risk			463,907	463,907	37,113
Commodity Risk			-	-	-
Options Risk			970,476	970,476	77,638
Total Market Risk			**12,107,705**	**12,107,705**	**968,616**
Operational Risk (BIA)			**11,115,336**	**11,115,336**	**889,227**
Total RWA and Capital Requirement			**133,001,752**	**133,001,752**	**10,640,140**

CAPITAL MANAGEMENT *(continued)*

Internal Capital Adequacy Assessment Process (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.
b) Assessing the capital adequacy and capital management strategies.
c) Monitoring compliance with regulatory requirement on capital adequacy.
d) Reporting to management and regulator on ICAAP.
e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together with business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2), the Group has submitted its Board-approved ICAAP report to BNM by in May 2014.

ICAAP will be implemented in phases to the overseas subsidiaries over the next few years. In 2014, risk-adjusted performance measurement measures were linked to key performance indicators and compensation of the business units. Business strategy, pricing and business decisions also incorporated risk and capital considerations.

CREDIT RISK

Credit risk, is defined as the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

It arises primarily from traditional financing activities through conventional loans, financing facilities, trade finance as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the Risk-based Delegated Authority Framework. This Framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with GRD as a function independent from the business units as the second line of defence. This enhances the collaboration between GRD and the business units.

The Framework encompass the introduction of Joint Delegated Authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals. Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and GRD, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. Credit applications are independently evaluated by the Credit Risk Centre of Excellence team prior to submission to the relevant committees for approval.

The GRC with the support of GCPRC, Group Credit Committee, Consumer Bank Credit Committee, Regional Private Banking Credit Committee and GRD is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy review. It is also responsible for articulating key credit risks and mitigating controls.

Approaches or mitigating controls adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual include adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral.

Adherence to established credit limits is monitored daily by GRD, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. Limits are also monitored based on rating classification of the obligor and/or counterparty. For retail products, portfolio limits are monitored monthly by GRD.

CREDIT RISK *(continued)*

Credit Risk Management (continued)

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures at least on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GCPRC, GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

CREDIT RISK *(continued)*

Summary of Credit Exposures

i) Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed. The following tables represent CIMB Bank's credit exposures by geographic region:

Table 3: Geographic Distribution of Credit Exposures

2014					**CIMB Bank**
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
Sovereign	22,227,165	2,221,259	-	72,355	24,520,778
Bank	25,248,531	10,042,795	-	1,900,166	37,191,492
Corporate	75,995,404	20,298,600	-	2,113,565	98,407,570
Mortgage/RRE Financing	42,875,201	3,973,781	-	-	46,848,982
HPE	8,936,898	-	-	-	8,936,898
QRRE	9,523,931	2,844,705	-	-	12,368,636
Other Retail	40,552,056	1,940,937	-	66,116	42,559,109
Other Exposures	5,843,903	405,312	-	29,756	6,278,972
Total Gross Credit Exposure	**231,203,090**	**41,727,389**	**-**	**4,181,958**	**277,112,438**

2013					**CIMB Bank**
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
Sovereign	27,138,604	1,742,875	-	-	28,881,479
Bank	19,767,119	9,020,462	-	1,514,828	30,302,409
Corporate	66,573,353	17,465,743	-	1,313,379	85,352,475
Mortgage/RRE Financing	37,824,459	3,103,393	-	-	40,927,852
HPE	6,778,237	-	-	-	6,778,237
QRRE	8,778,700	2,375,022	-	-	11,153,721
Other Retail	34,946,209	2,182,338	-	41,450	37,169,997
Other Exposures	5,602,147	265,186	-	21,204	5,888,537
Total Gross Credit Exposure	**207,408,828**	**36,155,018**	**-**	**2,890,862**	**246,454,707**

CREDIT RISK *(continued)*

Summary of Credit Exposures (continued)

ii) Gross Credit Exposures by Sector

The following tables represent CIMB Bank's credit exposure analysed by sector:

Table 4: Distribution of Credit Exposures by Sector

2014												CIMB Bank
(RM'000) Exposure Class	**Primary Agriculture**	**Mining and Quarrying**	**Manufacturing**	**Electricity, Gas and Water Supply**	**Construction**	**Wholesale and Retail Trade, and Restaurants and Hotels**	**Transport, Storage and Communication**	**Finance, Insurance/ Takaful, Real Estate and Business Activities**	**Education, Health and Others**	**Household**	**Others***	**Total**
Sovereign	292,544	-	-	903,752	851,463	-	1,889,697	3,659,925	16,923,396	-	-	24,520,778
Bank	92	-	-	-	-	-	-	37,189,163	2,237	-	-	37,191,492
Corporate	3,476,229	6,894,632	7,565,378	3,974,333	7,919,494	10,549,145	10,726,516	29,080,915	6,939,152	2,245,322	9,036,454	98,407,570
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	46,848,982	-	46,848,982
HPE	-	-	-	-	-	-	-	-	-	8,936,898	-	8,936,898
QRRE	-	-	-	-	-	-	-	-	-	12,368,636	-	12,368,636
Other Retail	106,793	23,007	563,109	19,794	491,997	981,401	144,029	1,267,780	456,827	38,504,372	-	42,559,109
Other Exposures	19,668	-	-	-	-	-	-	1,026,874	234,997	-	4,997,433	6,278,972
Total Gross Credit Exposure	**3,895,327**	**6,917,639**	**8,128,487**	**4,897,879**	**9,262,955**	**11,530,546**	**12,760,242**	**72,224,658**	**24,556,608**	**108,904,209**	**14,033,887**	**277,112,438**

******Others are exposures which are not elsewhere classified.*

CREDIT RISK *(continued)*

Summary of Credit Exposures (continued)

ii) Gross Credit Exposures by Sector *(continued)*

Table 4: Distribution of Credit Exposures by Sector *(continued)*

2013												CIMB Bank
(RM'000) Exposure Class	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water Supply	Construction	Wholesale and Retail Trade, and Restaurants and Hotels	Transport, Storage and Communication	Finance, Insurance/ Takaful, Real Estate and Business Activities	Education, Health and Others	Household	Others*	Total
Sovereign	290,673	-	-	705,638	446,223	-	1,497,571	230,754	25,710,620	-	-	28,881,479
Bank	48	-	-	-	-	-	-	29,851,712	450,649	-	-	30,302,409
Corporate	3,166,802	3,165,307	6,861,379	3,874,903	7,296,032	9,769,438	11,946,575	25,403,069	4,059,427	2,245,322	7,564,222	85,352,475
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	40,927,852	-	40,927,852
HPE	-	-	-	-	-	-	-	-	-	6,778,237	-	6,778,237
QRRE	-	-	-	-	-	-	-	-	-	11,153,721	-	11,153,721
Other Retail	90,745	14,990	447,024	13,388	371,012	880,182	106,176	943,415	329,633	33,973,432	-	37,169,997
Other Exposures	-	-	-	-	-	-	-	462,856	412,127	-	5,013,555	5,888,537
Total Gross Credit Exposure	**3,548,269**	**3,180,296**	**7,308,403**	**4,593,930**	**8,113,267**	**10,649,619**	**13,550,322**	**56,891,806**	**30,962,455**	**95,078,564**	**12,577,777**	**246,454,707**

**Others are exposures which are not elsewhere classified.*

CREDIT RISK *(continued)*

Summary of Credit Exposures (continued)

iii) Gross Credit Exposures by Residual Contractual Maturity

The following tables represent CIMB Bank's credit exposure analysed by residual contractual maturity:

Table 5: Distribution of Credit Exposures by Residual Contractual Maturity

2014				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	3,816,041	6,144,738	14,560,000	24,520,778
Bank	28,948,363	6,656,030	1,587,100	37,191,492
Corporate	28,232,482	38,398,795	31,776,293	98,407,570
Mortgage/RRE Financing	40,497	907,017	45,901,468	46,848,982
HPE	113,444	1,769,697	7,053,757	8,936,898
QRRE	12,368,636	-	-	12,368,636
Other Retail	2,583,427	1,882,880	38,092,802	42,559,109
Other Exposures	118,724	378,683	5,781,564	6,278,972
Total Gross Credit Exposure	**76,221,614**	**56,137,840**	**144,752,984**	**277,112,438**

2013				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	13,071,685	4,325,824	11,483,970	28,881,479
Bank	22,024,499	6,356,458	1,921,452	30,302,409
Corporate	25,763,346	37,517,643	22,071,487	85,352,475
Mortgage/RRE Financing	20,976	435,776	40,471,100	40,927,852
HPE	132,399	1,821,182	4,824,655	6,778,237
QRRE	11,153,721	-	-	11,153,721
Other Retail	2,146,916	3,381,265	31,641,816	37,169,997
Other Exposures	136,371	555,079	5,197,087	5,888,537
Total Gross Credit Exposure	**74,449,914**	**54,393,228**	**117,611,566**	**246,454,707**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing

i) Past Due But Not Impaired

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financings and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2014 and 31 December 2013 which were past due but not impaired by sector and geographical respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMB Bank	
	2014	**2013**
Primary Agriculture	13,997	28,016
Mining and Quarrying	2,939	6,582
Manufacturing	80,108	109,339
Electricity, Gas and Water Supply	1,572	4,880
Construction	98,500	167,062
Wholesale and Retail Trade, and Restaurants and Hotels	143,849	167,382
Transport, Storage and Communication	77,924	97,776
Finance, Insurance/Takaful, Real Estate and Business Activities	57,490	135,136
Education, Health and Others	36,943	62,919
Household	6,844,451	9,504,531
Others*	6,207	23,710
Total	**7,363,980**	**10,307,333**

**Others are exposures which are not elsewhere classified.*

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMB Bank	
	2014	**2013**
Malaysia	7,302,154	10,263,505
Singapore	61,826	43,828
Thailand	-	-
Other Countries	-	-
Total	**7,363,980**	**10,307,333**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

i) Impaired Loans/Financings

CIMB Bank deems a financial asset or a group of financial asset to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment losses are calculated on individual loans/financings and on loans/financings assessed collectively.

Losses for impaired loans/financings are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financings has occurred. Evidence of impairment may include indications that the borrower/customer or a group of borrowers/customers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest/profit or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

CIMB Bank assesses individually whether objective evidence of impairment exists for all assets deemed to be individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the individual impairment allowance account and the amount of the loss is recognised in the statements of comprehensive income. Interest/profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/profit income is recorded as part of interest/profit income.

Loans/Financings that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financings are grouped according to their credit risk characteristics for the purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

The following tables provide an analysis of the outstanding balances as at 31 December 2014 and 31 December 2013 which were impaired by sector and geographical respectively:

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings*(continued)*

Table 7(a): Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMB Bank	
	2014	2013
Primary Agriculture	71,357	69,509
Mining and Quarrying	31,962	33,593
Manufacturing	303,822	452,563
Electricity, Gas and Water Supply	584	258
Construction	154,179	214,793
Wholesale and Retail Trade, and Restaurants and Hotels	184,608	283,130
Transport, Storage and Communication	1,008,958	991,484
Finance, Insurance/Takaful, Real Estate and Business Activities	148,251	170,977
Education, Health and Others	17,002	22,347
Household	1,089,775	963,317
Others*	60,013	132,444
Total	**3,070,511**	**3,334,415**

**Others are exposures which are not elsewhere classified.*

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMB Bank	
	2014	2013
Malaysia	3,041,610	3,298,388
Singapore	28,901	36,027
Thailand	-	-
Other Countries	-	-
Total	**3,070,511**	**3,334,415**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/ Financings*(continued)*

Table 8(a): Individual Impairment and Portfolio Impairment Allowances by Sector

(RM'000)	CIMB Bank			
	2014		2013	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	23,564	10,275	17,570	12,772
Mining and Quarrying	27,139	5,476	28,601	5,518
Manufacturing	204,876	56,133	303,106	66,667
Electricity, Gas and Water Supply	-	1,619	-	996
Construction	78,200	46,411	123,752	58,625
Wholesale and Retail Trade, and Restaurants and Hotels	77,096	95,986	126,769	141,557
Transport, Storage and Communication	995,451	19,272	718,043	25,111
Finance, Insurance/Takaful, Real Estate and Business Activities	125,375	68,837	37,880	74,175
Education, Health and Others	3,110	16,887	6,607	20,465
Household	27,217	900,727	17,495	827,728
Others*	51,494	9,811	149,391	11,844
Total	**1,613,522**	**1,231,434**	**1,529,214**	**1,245,458**

**Others are exposures which are not elsewhere classified.*

Table 8(b): Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution

(RM'000)	CIMB Bank			
	2014		2013	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,605,681	1,195,422	1,515,474	1,212,653
Singapore	7,841	29,376	13,740	32,350
Thailand	-	-	-	-
Other Countries	-	6,636	-	455
Total	**1,613,522**	**1,231,434**	**1,529,214**	**1,245,458**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances &Financing (continued)

ii) Impaired Loans/ Financings (continued)

Table 9: Charges for Individual Impairment Provision and Write Offs During the Year

(RM'000)	CIMB Bank			
	2014		2013	
	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	5,787	57	18,379	-
Mining and Quarrying	78	3,186	(4,015)	-
Manufacturing	(24,964)	77,169	33,803	96,042
Electricity, Gas and Water Supply	-	-	-	-
Construction	(27,883)	22,427	(38,778)	31,470
Wholesale and Retail Trade, and Restaurants and Hotels	(3,197)	43,458	52,315	47,224
Transport, Storage and Communication	298,297	19,673	53,648	9,960
Finance, Insurance/Takaful, Real Estate and Business Activities	(11,005)	9,010	3,940	74,146
Education, Health and Others	(3,583)	-	(10,550)	9,061
Household	16,394	3,317	3,451	1,857
Others*	16	613	(317)	211
Total	**249,940**	**178,910**	**111,876**	**269,971**

**Others are exposures which are not elsewhere classified.*

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financings *(continued)*

Table 10: Analysis of movement for Loan/ Financing Impairment Allowances for the Year Ended 31 December 2014 and 31 December 2013

(RM'000)	CIMB Bank			
	2014		2013	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	1,529,214	1,245,458	1,665,736	1,255,788
Allowance made during the financial period/year	253,223	338,241	113,315	330,086
Amount written back in respect of recoveries	(3,283)	-	(1,439)	-
Allowance (written back)/made and charged to deferred assets	(2,735)	381	(959)	258
Amount written off	(178,910)	(354,668)	(269,971)	(339,965)
Transfer to intercompany	-	-	-	(2,715)
Exchange fluctuation	16,013	2,022	22,532	2,006
Total	**1,613,522**	**1,231,434**	**1,529,214**	**1,245,458**

CREDIT RISK *(continued)*

Capital Treatment for Credit Risk for Portfolios under the SA

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMB Bank in Table 2. Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

Credit Risk – Disclosure for Portfolios undertheSA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

The following tables present the credit exposures by risk weights and after credit risk mitigation:

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 11: Disclosure by Risk Weight under SA

2014											CIMB Bank
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	24,174,106	-	56,121	-	-	-	-	-	2,216,574	-	26,446,801	-
20%	52,478	2,362	30	204,601	-	-	-	-	63,348	556,996	879,816	175,963
35%	-	-	-	-	-	-	288,598	-	-	-	288,598	101,009
50%	146,954	-	124,354	1,012,772	17,763	37,331	73,428	-	-	-	1,412,602	706,301
75%	-	-	-	-	-	7,673,257	9,283	-	-	-	7,682,540	5,761,905
100%	147,240	-	-	589,747	2,761,524	3,358,851	170,866	-	2,338,787	-	9,367,015	9,367,015
100% < RW < 1250%	-	-	-	-	28,294	13,475	-	1,103,266	-	-	1,145,036	1,717,554
>1250%	-	-	-	-	110,927	-	-	-	-	-	110,927	1,386,588
Total	**24,520,778**	**2,362**	**180,505**	**1,807,119**	**2,918,509**	**11,082,915**	**542,175**	**1,103,266**	**4,618,709**	**556,996**	**47,333,335**	**19,216,336**
Average Risk Weight	**1%**	**20%**	**34%**	**63%**	**144%**	**83%**	**58%**	**150%**	**51%**	**20%**	**41%**	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

**The total includes the portion which is deducted from Capital Base, if any.*

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 11: Disclosure by Risk Weight under SA *(continued)*

2013												CIMB Bank
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages/ RRE Financing	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	26,845,264	-	-	-	-	-	-	-	2,111,576	-	28,956,840	-
20%	62,215	1,776	50,739	263,971	-	95	-	-	100,830	780,985	1,260,611	252,122
35%	-	-	-	-	-	-	254,636	-	-	-	254,636	89,123
50%	-	-	152,324	923,902	24,049	43,724	61,346	-	-	-	1,205,345	602,672
75%	-	-	-	-	-	6,096,813	12,299	-	-	-	6,109,113	4,581,835
100%	-	-	-	355,874	2,519,547	2,978,804	72,354	-	1,707,390	-	7,633,969	7,633,969
100% < RW <1250%	-	-	-	34,176	24,297	12,307	-	1,174,020	-	-	1,244,800	1,867,200
1250%	-	-	-	-	110,927	-	-	-	-	13,736	124,663	1,558,292
Total	**26,907,479**	**1,776**	**203,063**	**1,577,923**	**2,678,820**	**9,131,743**	**400,636**	**1,174,020**	**3,919,796**	**794,721**	**46,789,977**	**16,585,212**
Average Risk Weight	-	20%	43%	58%	148%	83%	50%	150%	44%	41%	35%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

**The total includes the portion which is deducted from Capital Base, if any.*

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the SA (continued)

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

Table 12: Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs

2014				CIMB Bank
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	2,362	2,362
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,214,373	112,463	792,426	2,119,261
Corporate	5,551	217,747	4,563,834	4,787,132
Sovereign/Central Banks	14,920,526	74,885	9,525,367	24,520,778
Banks, MDBs and DFIs	180,505	-	-	180,505
Total	**16,320,955**	**405,095**	**14,883,989**	**31,610,038**

2013				CIMB Bank
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	1,776	1,776
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,242,187	34,176	385,065	1,661,428
Corporate	-	355,471	3,838,973	4,194,444
Sovereign/Central Banks	5,618,932	-	21,288,547	26,907,479
Banks, MDBs and DFIs	203,063	-	-	203,063
Total	**7,064,181**	**389,647**	**25,514,361**	**32,968,189**

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the SA (continued)

Table 13: Disclosures of Securitisation under SA according to Ratings by ECAIs

2014				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	556,996	-	-	**556,996**

2013				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	780,985	-	13,736	**794,721**

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach

CIMB Bank adopts the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMB Bank to adopt various rating systems to measure its credit risk to both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and limit management purposes.

For non-retail exposures, internal ratings are used to assist the approving committees in making informed decisions of the credit application. Product owners consult GRD for input on internal rating for consideration on pricing of product.

The models used in the internal rating systems are subject to strict governance and controls. The models are developed and maintained by GRD with input from business units to ensure that material risks are captured. Before the models are implemented, they are subject to approval by GRC and subsequently BRC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

New models are assessed by a validation team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

Retail Exposures

Retail exposures are portfolio in large numbers of similarly managed exposures due to homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages and business premises loans/financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. The models deployed for retail portfolio include application and behavioural scorecards or application and behavioural models, PD, LGD and EAD segmentation.

a) PD, LGD and EAD Segmentation Models for Retail Exposures

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective models risk estimate is developed based on expert judgment or aligned to available industry data with margins of conservatism applied.

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one year time horizon.
- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as "Central Tendency".

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan's/financing's EAD estimation includes the estimated net additional drawings for loans/financings defaulting over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from physical collaterals.
  (iii) Cash receipts from borrowers/customers.

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2014 and 31 December 2013:

Table 14: Retail Exposures under the IRB Approach by PD Band

2014				CIMB Bank
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**75,056,859**	**10,384,941**	**1,577,888**	**87,019,688**
Residential Mortgage/RRE Financing	42,881,971	2,625,592	798,239	46,305,802
QRRE	8,046,265	4,249,012	73,359	12,368,636
Hire Purchase	6,775,587	1,973,428	187,883	8,936,898
Other Retail	17,353,035	1,536,909	518,407	19,408,351
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	24%	33%	
QRRE	89%	89%	89%	
Hire Purchase	52%	53%	57%	
Other Retail	27%	29%	67%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	30%	87%	51%	
QRRE	30%	128%	110%	
Hire Purchase	52%	91%	277%	
Other Retail	25%	45%	213%	

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)

Table 14: Retail Exposures under the IRB Approach by PD Band (continued)

2013				CIMB Bank
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**63,144,382**	**11,154,077**	**1,735,897**	**76,034,357**
Residential Mortgage/RRE Financing	36,276,587	3,339,973	910,655	40,527,216
QRRE	7,099,427	3,986,040	68,254	11,153,721
Hire Purchase	4,555,141	2,092,958	130,137	6,778,237
Other Retail	15,213,226	1,735,105	626,851	17,575,183
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	25%	34%	
QRRE	89%	89%	89%	
Hire Purchase	51%	53%	58%	
Other Retail	28%	33%	65%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	30%	89%	54%	
QRRE	30%	127%	125%	
Hire Purchase	52%	93%	235%	
Other Retail	29%	53%	200%	

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Retail Exposures (continued)

Table 15: Retail Exposures under the IRB Approach by Expected Loss Range

2014				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**75,435,596**	**11,432,450**	**151,642**	**87,019,688**
Residential Mortgage/RRE Financing	44,167,849	2,046,933	91,020	46,305,802
QRRE	6,207,170	6,161,466	-	12,368,636
Hire Purchase	6,752,760	2,183,596	542	8,936,898
Other Retail	18,307,816	1,040,456	60,079	19,408,351
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	27%	39%	
QRRE	89%	89%	-	
Hire Purchase	52%	54%	60%	
Other Retail	27%	47%	69%	

2013				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**63,665,655**	**12,166,199**	**202,503**	**76,034,357**
Residential Mortgage/RRE Financing	37,765,904	2,649,498	111,814	40,527,216
QRRE	5,459,473	5,694,248	-	11,153,721
Hire Purchase	4,505,671	2,267,616	4,950	6,778,237
Other Retail	15,934,607	1,554,837	85,739	17,575,183
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	28%	40%	
QRRE	89%	89%	-	
Hire Purchase	51%	54%	53%	
Other Retail	28%	46%	66%	

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include foreign sovereigns, corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Obligor Risk Rating framework. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor’s rating.

The following tables summarise the non-retail credit exposures measured under F-IRB Approach as at 31 December 2014 and 31 December 2013:

Table 16: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

2014						CIMB Bank
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	-	641,650	136,808	116,646	1,219,331	2,114,435
Object Finance	8,082	39,503	117,566	-	-	165,151
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	858,660	5,243,411	221,705	231,431	3,159	6,558,365
RWA	**579,193**	**5,065,221**	**547,491**	**870,193**	**-**	**7,062,098**

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures (continued)

Table 16: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach (continued)

2013						**CIMB Bank**
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	-	1,070,798	208,147	-	1,147,666	2,426,612
Object Finance	8,489	48,670	16,223	-	-	73,382
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	2,298,039	3,060,586	421,204	161,983	87,156	6,028,968
RWA	**1,262,288**	**3,490,666**	**742,410**	**404,957**	**-**	**5,900,321**

CIMB Bank has no exposure to High Volatility Commercial Real Estate and Equities under the Simple Risk Weight Approach.

Table 17: Non-Retail Exposures under IRB Approach by Risk Grades

2014					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**52,443,015**	**50,225,296**	**15,476,084**	**1,527,455**	**119,671,850**
Sovereign/Central Banks	-	-	-	-	-
Bank	32,201,065	4,781,140	26,420	-	37,008,625
Corporate (excluding SpecialisedLending/ Financing)	20,241,950	45,444,155	15,449,664	1,527,455	82,663,225
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	43%	41%	45%	45%	
Corporate (excluding SpecialisedLending/ Financing)	45%	38%	33%	43%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	20%	46%	136%	-	
Corporate (excluding SpecialisedLending/ Financing)	19%	65%	104%	-	

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Non-retail Exposures (continued)

Table 17: Non-Retail Exposures under IRB Approach by Risk Grades (continued)

2013					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**42,523,698**	**45,084,750**	**13,262,749**	**2,168,015**	**103,039,212**
Sovereign/Central Banks	1,742,875	231,126	-	-	1,974,001
Bank	26,212,246	3,851,076	34,063	185	30,097,570
Corporate (excluding SpecialisedLending/ Financing)	14,568,577	41,002,549	13,228,686	2,167,830	70,967,641
Exposure Weighted Average LGD					
Sovereign/Central Banks	45%	45%	-	-	
Bank	44%	40%	45%	45%	
Corporate (excluding SpecialisedLending/ Financing)	45%	37%	36%	43%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	6%	74%	-	-	
Bank	19%	50%	246%	-	
Corporate (excluding SpecialisedLending/ Financing)	18%	59%	109%	-	

CREDIT RISK *(continued)*

Credit Risk – Disclosure for Portfolios under the IRB Approach (continued)

Expected Losses versus Actual Losses by Portfolio Types

The following table summarises the expected losses versus actual losses by portfolio type:

Table 18: Analysis of Expected Losses versus Actual Losses by Portfolio Types

				CIMB Bank
	2014		2013	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2013	Actual Losses for the year ended 31 December 2014	Regulatory Expected Losses as at 31 December 2012	Actual Losses for the year ended 31 December 2013
Sovereign	671	-	454	-
Bank	15,352	-	18,338	6,048
Corporate	525,727	205,935	520,774	152,937
Mortgage/RRE Financing	166,699	47,712	144,444	42,029
HPE	167,929	13,806	135,985	107,911
QRRE	382,549	129,553	291,134	159,874
Other Retail	95,845	(39,413)	17,837	21,867
Total	**1,354,772**	**357,593**	**1,128,965**	**490,666**

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

ii) *Treatment of Rating Downgrade*

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2014, the additional collateral to be posted was RM 13,989,200 while there was none as at 31 December 2013.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2014 and 31 December 2013:

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

Table 19: Disclosure on Off-Balance Sheet Exposures and CCR

2014	CIMB Bank			
(RM '000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	3,306,149		3,306,149	1,767,347
Transaction Related Contingent Items	2,884,134		1,442,067	913,095
Short Term Self Liquidating Trade Related Contingencies	5,179,320		1,035,864	494,879
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	200,000		100,000	50,000
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	-		-	-
Foreign Exchange Related Contracts				
One year or less	49,065	-	735	355
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	443,270,439	2,579,747	8,794,008	4,095,451
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	28,592,678		24,287,297	11,783,659
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	496,285		362,027	328,120
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	44,069,409		-	-
Unutilised credit card lines	21,108,701		6,491,246	3,124,405
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**549,156,181**	**2,579,747**	**45,819,393**	**22,557,310**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

Table 19: Disclosure on Off-Balance Sheet Exposures and CCR *(continued)*

2013				**CIMB Bank**
(RM '000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	2,312,901		2,312,901	1,706,263
Transaction Related Contingent Items	3,065,373		1,532,686	891,227
Short Term Self Liquidating Trade Related Contingencies	3,171,561		634,312	293,649
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	163,500		81,750	40,875
Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement	-		-	-
Foreign Exchange Related Contracts				
One year or less	178,626	-	2,679	548
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	354,380,718	1,567,038	7,878,572	3,132,889
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	24,009,145		20,328,745	10,017,758
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	723,165		533,139	312,413
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	28,711,467		-	-
Unutilised credit card lines	19,166,345		6,027,158	2,935,138
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**435,882,801**	**1,567,038**	**39,332,124**	**19,330,760**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR

The table below shows the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

Table 20: Disclosure on Credit Derivative Transactions for CIMB Bank

(RM'000)	CIMB Bank			
	2014		2013	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	1,902,439	2,578,991	2,857,690	2,748,435
Client Intermediation Activities	27,430	292,570	27,980	315,625
Total	**1,929,869**	**2,871,561**	**2,885,670**	**3,064,060**
Credit Default Swaps	1,902,439	2,578,991	2,857,690	2,748,435
Total Return Swaps	27,430	292,570	27,980	315,625
Total	**1,929,869**	**2,871,561**	**2,885,670**	**3,064,060**

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and is considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets)guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

CREDIT RISK *(continued)*

Credit Risk Mitigation (continued)

iii) Netting

In mitigating the credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout and settlement netting arrangements with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that credit exposure will be netted. In effect, it enables the netting of outstanding obligations upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any counterparty, sectors and country.

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2014 and 31 December 2013:

Table 21: Disclosure on Credit Risk Mitigation

2014				**CIMB Bank**
(RM'000) **Exposure Class**	**Exposures before CRM**	**Exposures Covered by Guarantees/ Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
Performing Exposures				
Sovereign/Central Banks	24,520,778	-	-	-
Public Sector Entities	2,362	-	-	-
Banks, DFIs & MDBs	37,189,130	-	1,860,938	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,119,261	352,671	312,142	-
Corporate	93,467,983	5,538,217	11,138,821	10,677,833
Residential Mortgages/RRE Financing	46,047,384	-	1,005	-
Qualifying Revolving Retail	12,307,007	-	-	-
Hire Purchase	8,749,015	-	-	-
Other Retail	42,015,466	-	12,064,721	-
Securitisation	556,996	-	-	-
Higher Risk Assets	1,103,266	-	-	-
Other Assets	4,618,709	-	-	-
Defaulted Exposures	1,956,750	-	20,069	268,346
Total Exposures	**274,654,109**	**5,890,889**	**25,397,695**	**10,946,179**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

CREDIT RISK *(continued)*

Credit Risk Mitigation (continued)

Table 21: Disclosure on Credit Risk Mitigation (continued)

2013				**CIMB Bank**
(RM'000) **Exposure Class**	**Exposures before CRM**	**Exposures Covered by Guarantees/ Credit Derivatives**	**Exposures Covered by Eligible Financial Collateral**	**Exposures Covered by Other Eligible Collateral**
Performing Exposures				
Sovereign/Central Banks	28,881,479	-	-	-
Public Sector Entities	1,776	-	-	-
Banks, DFIs & MDBs	30,300,447	-	1,528,578	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,661,428	3,000	83,505	-
Corporate	80,355,018	2,215,547	9,435,939	8,926,020
Residential Mortgages/RRE Financing	40,013,601	-	-	-
Qualifying Revolving Retail	11,092,277	-	-	-
Hire Purchase	6,648,100	-	-	-
Other Retail	36,513,693	95	10,457,493	-
Securitisation	794,721	-	-	-
Higher Risk Assets	1,174,020	-	-	-
Other Assets	3,919,796	-	-	-
Defaulted Exposures	2,115,485	-	32,626	364,409
Total Exposures	**243,471,841**	**2,218,641**	**21,538,141**	**9,290,428**

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

SECURITISATION

The Role CIMB Plays in the Securitisation Process

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets, as well as advised on securitisations of third party assets as part of its debt capital markets services for its clients.

The Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for the Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

Up to end-2014, the Group has completed securitisations of corporate bonds/sukuks and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables.

CIMB's Involvement in Securitisation in 2014

In 2014, the Group undertook a securitisation of auto hire purchase receivables for a joint-venture company raising just under RM300 million. The Group also arranged and managed the seventh securitisation issuance via Premium Commerce Berhad, a bankruptcy-remote special purpose vehicle established in 2005 pursuant to a securitisation programme arranged for the Tan Chong Group.

All transactions involving securitisation of CIMB Group's assets were tabled to the Board of Directors of the relevant entities for deliberation and approval. For transactions involving the joint venture entity, these transactions were tabled to and approved by the Board of Directors of CIMB Bank and Proton Commerce Sdn Bhd.

In securitisations of its own assets, CIMB Bank continues to administer the assets as servicer for the relevant SPV and monitors the credit and market risk inherent in the underlying assets using the same mechanism in place for non-securitised assets.

Summary of Accounting Policies for Securitisation Activities

CIMB has sponsored special purpose vehicles (SPVs) pursuant to securitisation activities involving assets of the Group. Such SPVs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, inter alia, an assessment of the Group's exposure to the risks and rewards of the assets of the SPV.

Assets that have been transferred wholly or proportionately to an unconsolidated entity will also remain on the Group balance sheet, with a liability recognised for the proceeds received, unless (a) substantially all risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or (b) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised to the extent of the Group's continuing involvement.

SECURITISATION *(continued)*

Summary of Accounting Policies for Securitisation Activities (continued)

Other than (a) or (b) above, securitisations are treated as financing in the separate financial statements of these entities.

ECAIs Used For Securitisation Process

CIMB may employ external credit assessment institutions to provide ratings for its asset backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients for rated transactions. N.B. there are transactions for which the investor does not require an external rating and in such instances, the investor performs his own due diligence.

For securitisations of CIMB-originated assets, RAM has rated a securitisation of corporate bonds/sukuks, and MARC has rated a securitisation of auto-hire purchase receivables. Both RAM Ratings and MARC have rated a securitisation programme for a joint-venture of auto-hire purchase receivables.

Disclosure on Securitisation for Trading and Banking Book

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2014 and 31 December 2013:

Table 22: Disclosure on Securitisation for Trading and Banking Book

2014 (RM'000)	CIMB Bank			
Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	-	-	-	-
Originated by the Banking Institution				
Hire Purchase Exposure	**75,107**	**15,101**	**5,690**	**1,396**

2013 (RM'000)	CIMB Bank			
Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	30,572	8,227	2,541	(365)
Originated by the Banking Institution				
Hire Purchase Exposure	197,429	32,560	6,054	(118)

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

Table 23: Disclosure on Securitisation under the SA for Banking Book Exposures

2014												CIMB Bank
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights									Risk-Weighted Assets
			Rated Securitisation Exposures							Unrated (Look Through)		
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	545,583	-	-	-	545,583	-	-	-	-			109,117
Mezzanine	11,414	-	-	-	11,414	-	-	-	-			2,283
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

Table 23: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2014												CIMB Bank
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights									Risk-Weighted Assets
			Rated Securitisation Exposures							Unrated (Look Through)		
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	
Originating Banking Institution												
On-Balance Sheet												
Most senior	-	-			-	-	-	-	-			-
Mezzanine	-	-			-	-	-	-	-			-
First loss	-	-			-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Total Exposures	**556,996**	**-**			**556,996**	**-**	**-**	**-**	**-**	**-**	**-**	**111,399**

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

Table 23: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2013												CIMB Bank
			Distribution of Exposures after CRM according to Applicable Risk Weights									
			Rated Securitisation Exposures							Unrated (Look Through)		
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
On-Balance Sheet												
Most senior	773,552	-	-	-	773,552	-	-	-				154,710
Mezzanine	7,433	-	-	-	7,433	-	-	-				1,487
First loss	-	-	-	-	-	-	-	-				-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-				-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-				-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-				-
Eligible servicer cash advance facilities	-	-			-	-	-	-				-
Eligible underwriting facilities	-	-			-	-	-	-				-
Guarantees and credit derivatives	-	-			-	-	-	-				-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-				-

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

Table 23: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2013												CIMB Bank
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights									Risk-Weighted Assets
			Rated Securitisation Exposures							Unrated (Look Through)		
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount	
Originating Banking Institution												
On-Balance Sheet												
Most senior	-	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-	-			-
First loss	13,736	-	-	-	-	-	-	-	13,736			171,703
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	> 150%	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Total Exposures	**794,721**	-	-	-	**780,985**	-	-	-	**13,736**	-	-	**327,900**

SECURITISATION *(continued)*

Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

Table 24: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge

2014	CIMB Bank				
(RM'000) **Securitisation Exposures**	**Total Exposure Value of Positions Purchased or Retained**	**Exposures subject to deduction**	**General Risk Charge**	**Specific Risk Charge**	**Risk-Weighted Assets**
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	8,437	-	180	169	4,365
Off-Balance Sheet	-	-	-	-	-
Sub-total	8,437	-	180	169	4,365
Originated by Banking Institution					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Investor's interest					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
TOTAL (TRADITIONAL SECURITISATION)	**8,437**	**-**	**180**	**169**	**4,365**

SECURITISATION ***(continued)***

Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge (continued)

Table 24: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge (continued)

2013					**CIMB Bank**
(RM'000) **Securitisation Exposures**	**Total Exposure Value of Positions Purchased or Retained**	**Exposures subject to deduction**	**General Risk Charge**	**Specific Risk Charge**	**Risk-Weighted Assets**
TRADITIONAL SECURITISATION					
Originated by Third Party					
On-Balance Sheet	65,676		1,770	1,314	38,547
Off-Balance Sheet	-	-	-	-	-
Sub-total	65,676		1,770	1,314	38,547
Originated by Banking Institution					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
Securitisation subject to Early Amortisation					
Seller's interest					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Investor's interest					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
TOTAL (TRADITIONAL SECURITISATION)	**65,676**	**-**	**1,770**	**1,314**	**38,547**

MARKET RISK

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates/benchmark rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

Market risk is inherent in the business activities of an institution that trades and invests in securities, derivatives and other structured financial products. Market risk may arise from the trading book and investment activities in the banking book. For the trading book, it can arise from customer-related businesses or from the Group's proprietary positions. As for investment activities in the banking book, the Group holds the investment portfolio to meet liquidity and statutory reserves requirement and for investment purposes.

Market Risk Management

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC with the support of Group Market Risk Committee and Group Underwriting Committee ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GMRC and GUC, supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

CIMB Group employs the VaR framework to measure market risk where VaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute VaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/benchmark rate risk, foreign exchange risk and commodity risk. Each business unit is allocated VaR limits for each type of market risk undertaken for effective risk monitoring and control. These limits are approved by the GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are sent to the relevant traders and Group Treasury's Market Risk Analytics Team. The head of each business unit is accountable for all market risk under his/her purview. Any excess in limit will be escalated to management in accordance to the Group's exception management procedures.

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee, GRC and BRC for its perusal.

Although historical simulation provides a reasonable estimate of market risk, this approach relies heavily on historical daily price movements of the market parameter of interest/profit. Hence, the resulting market VaR is exposed to the danger that price and rate changes over the stipulated time horizon might not be typical. Example, if the past 500 daily price movements were observed over a period of exceptionally low volatility, then the VaR computed would understate the risk of the portfolio and vice versa.

In order to ensure historical simulation gives an adequate estimation of market VaR, backtesting of the historical simulation approach is performed annually. Backtesting involves comparing the derived 1-day VaR against the hypothetical change in portfolio value assuming end-of-day positions in the portfolio were to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

MARKET RISK *(continued)*

Market Risk Management (continued)

The Group also complements VaR with stress testing exercises to capture event risk that are not observed in the historical time period selected to compute VaR. Stress testing exercise at the group-wide level involves assessing potential losses to the Group's market risk exposures under pre-specified scenarios. This type of scenario analysis is performed twice yearly. Scenarios are designed in collaboration with the Regional Research Team to reflect extreme and yet plausible stress scenarios. Stress test results are presented to the Group Market Risk Committee and GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

In addition to the above, the Market Risk Centre of Excellence undertakes the monitoring and oversight process at Group Treasury trading floors, which include reviewing treasury trading strategy, analysing positions and activities vis-à-vis changes in the financial markets, monitoring limits usage, assessing limits adequacy and verifying transaction prices.

The Market Risk Centre of Excellence also provides accurate and timely valuation of the Group's position on a daily basis. Exposures are valued using market price (Mark-to-Market) or a pricing model (Mark-to-Model) (collectively known as 'MTM') where appropriate. The MTM process is carried out on all positions classified as Held for Trading as well as Available for Sale on a daily basis for the purpose of meeting independent price verification requirements, calculation of profits/losses as well as to confirm that margins required are met.

Treasury products approval processes will be led by the Market Risk Centre of Excellence to ensure operational readiness before launching. All new products are assessed by components and in totality to ensure financial risks are accurately identified, monitored and effectively managed.

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMB Bank for the following in Table 2:

- Interest Rate Risk/Benchmark Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The definition includes legal risk but excludes strategic and reputation risks.

Operational Risk Management

CIMB Group recognises that cultivation of an organisational-wide discipline and risk management culture among its staff is the key determinant for a well-managed universal banking operation. Hence, the Group has deployed a set of tools to identify, assess, monitor and control the operational risk inherent in the Group.

Operational risks arise from inadequate or failed internal processes, people and systems or from external events. These risks are managed by CIMB Group through the following key measures:

i) Sound risk management practices in accordance with Basel II and regulatory guidelines;
ii) Board and senior management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and
v) Deployment of ORM tools including:
   - Operational Event and Loss Data Management;
   - Risk and Control Self-Assessment; and
   - Key Risk Indicators.

These tools form part of the operational risk framework that allows CIMB Group to effectively identify, measure, mitigate and report its operational risks.

Each new or varied product and changes to the process flow are subjected to a rigorous risk review through sign-offs from the relevant support units where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners. The Group's New Product Development Policy Manual also safeguards and protects the interest of customers through proper regulatory disclosure requirements, the availability of options or choices when the products and services are offered to the public.

The promotion of a risk management culture within the Group whereby the demand for integrity and honesty is non-negotiable remains the core theme in the Group's operational risk awareness programme. The e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

OPERATIONAL RISK *(continued)*

Operational Risk Management (continued)

CIMB Group has progressively set the various foundations to move towards Basel II Standardised Approach.

Escalation and reporting processes are well instituted through various management committees notably the Group Operational Risk Committee and GRC as well as the Board. The responsibilities of the committees and the Board include the following:

i) Oversight and implementation of the ORMF;
ii) Establish risk appetite and provide strategic and specific directions;
iii) Review operational risks reports and profiles regularly;
iv) Address operational risk issues; and
v) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit Division plays its role in ensuring an independent assurance of the implementation of the 'Framework' through their conduct of regular reviews and report to the Board.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets)and CAFIB (Risk-Weighted Assets).

However, the Group is now moving towards the Basel II Standardised Approach where the foundation pillars are in progress. Details on RWA and capital requirements related to Operational Risk are disclosed for CIMB Bank in Table 2.

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB Bank's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as financial investments available-for-sale in the 2013 financial statements.

Details of the CIMB Bank's investments in financial investments available-for-sale are also set out in the financial statements.

Realised and unrealised gains or losses arising from sales and liquidations of equities for CIMB Bank for the year ended 31 December 2014 and 31 December 2013 is as follows:

Table 25: Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities

(RM'000)	CIMB Bank	
	2014	2013
Realised gains		
Shares, private equity funds and unit trusts	7,586	11,687
Unrealised gains		
Shares, private equity funds and unit trusts	579,599	548,304

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2014and 31 December 2013:

Table 26: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2014		2013	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,103,266	1,654,900	1,174,020	1,761,029
Publicly traded	-	-	-	-
Total	**1,103,266**	**1,654,900**	**1,174,020**	**1,761,029**

INTEREST RATE RISK/ RATE OF RETURN RISK IN THE BANKING BOOK

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/benchmark rates. In the context of Pillar 2, this risk is confined to the banking book positions, given that the interest rate risk/rate of return risk in the trading book is covered under the Pillar 1 market risk regulations.

The material sources of IRRBB/RORBB are repricing risk (which arises from timing differences in the maturity and repricing dates of cash flows), yield curve risk (which arises from the changes in both the overall interest rates/benchmark rates and the relative level of rates across the yield curve), basis risk (arises from imperfect correlation between changes in the rates earned and paid on banking book positions), and option risk (arises from interest rate/rate of return related options embedded in banking book products).

IRRBB/RORBB Management

CIMB Group manages its exposure of fluctuations in interest rates through policies established by Group Asset & Liability Management Committee ("GALCO"). IRRBB/RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the Board. Group Asset Liability Management Committee is a Board delegated Committee which reports to the GRC. With the support from Asset Liability Management Centre of Excellence and CBSM, the Group Asset Liability Management Committee is responsible for the review and monitoring of Group's balance sheet, business and hedging strategies, the overall interest rate risk/rate of return risk profile and ensuring that such risk profile is within the established risk appetite. CBTM is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

- Economic Value of Equity (EVE) sensitivity

  EVE sensitivity measures the long term impact of sudden interest rate/benchmark rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/benchmark rates. Such measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK *(continued)*

IRRBB/RORBB Management (continued)

Economic Value of Equity (EVE) sensitivity *(continued)*

The table below illustratesCIMBBank’sIRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rate from economic value perspective:

Table 27: IRRBB/RORBB – Impact on Economic Value

(RM'000)	CIMB Bank	
	2014	2013
Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	(752,603)	(511,986)
US Dollar	(12,942)	(105,435)
Thai Baht	(7)	(11,283)
Singapore Dollar	(160,048)	(136,575)
Others	(12,055)	(30,658)
Total	**(937,655)**	**(795,937)**

- Earnings at Risk (EaR)

  EaR measures the short term impact of sudden interest rate/benchmark rate movement on reported earnings over the next 12 months. It defines and quantifies interest rate risk/rate of return as the change in net interest income/net rate income caused by changes in interest rates/benchmark rates.

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/benchmark rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK *(continued)*

IRRBB/RORBB Management (continued)

Earnings at Risk (EaR)(continued)

The table below illustrates CIMB Bank's IRRBB/RORBB under a 100 bps parallel upward interest rate/benchmark rateshock from the earnings perspective:

Table 28: IRRBB/RORBB–Impacton Earnings

(RM'000)	CIMB Bank	
	2014	2013
Currency	**+100bps Increase (Decline) in Earnings (Value in RM Equivalent)**	
Ringgit Malaysia	67,378	48,837
US Dollar	(4,609)	(13,913)
Thai Baht	171	53
Singapore Dollar	(69,770)	(62,620)
Others	1,535	16,234
Total	**(5,295)**	**(11,409)**

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[END OF SECTION]