Basel II Pillar 3 Disclosure for 2016

- **CIMB Bank Berhad**

Contents

ABBREVIATIONS

A-IRB Approach	:	Advanced Internal Ratings Based Approach
ALM COE	:	Asset Liability Management Centre of Excellence
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
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad and non-financial subsidiaries
CIMBISLG	:	CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) SdnBhd
CIMBIBG	:	CIMB Investment Bank Berhad, CIMB Futures Sdn Bhd 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)*

GALCO	: Group Asset Liability Management Committee
GCC	: Group Credit Committee
GIB	: Group Islamic Banking
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
MRMWG	: Model Risk Management Working Group
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
SRM COE	: Shariah Risk Management Centre of Excellence
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 2016 Annual 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 2016.

The basis of consolidation for financial accounting purposes is described in the 2016 financial 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 2016 financial 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 2016 financial 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 Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

RISK MANAGEMENT OVERVIEW

Our Group embraces risk management as an integral component of our 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 of their propositions and thus enable risk to be priced appropriately in relation to the return.

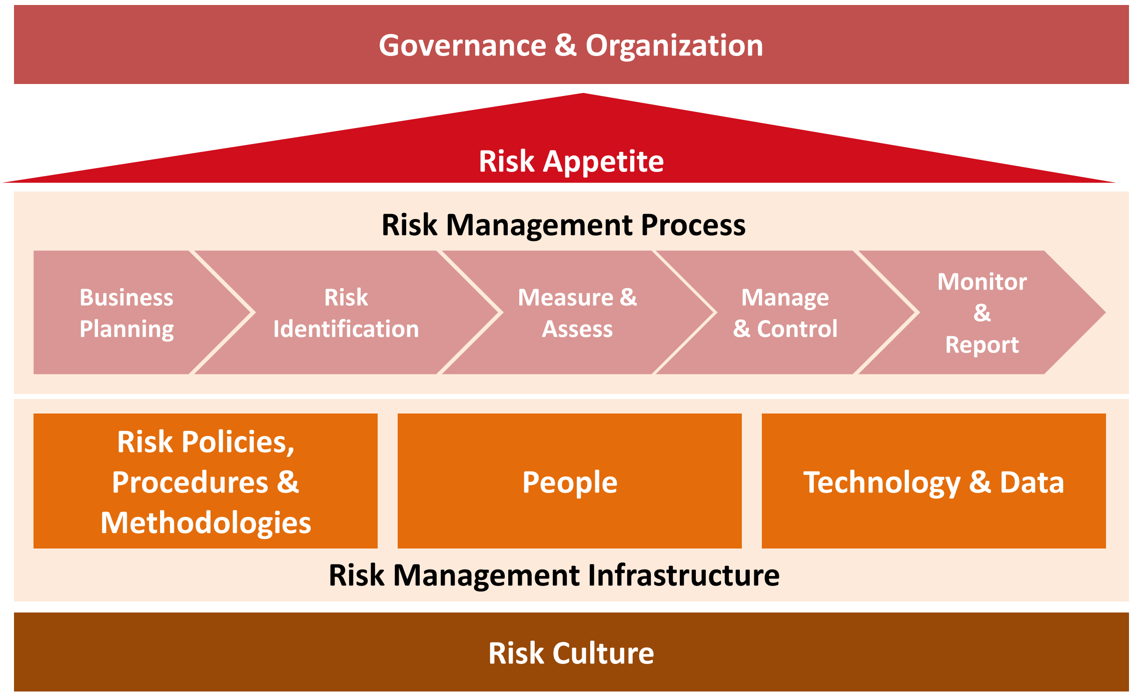
Generally, the objectives of our risk management activities are to:

- 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

Our Group employs EWRM framework as a standardised approach to manage our risks and opportunities effectively. The EWRM framework provides our 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, external environment and/or regulatory environment.

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 our Group.

RISK MANAGEMENT OVERVIEW *(continued)*

Enterprise Wide Risk Management Framework (continued)

a) **<u>Governance & Organisation</u>**: A strong governance structure is important to ensure an effective and consistent implementation of the Group's EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

b) **<u>Risk Appetite</u>**: It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk. 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.

c) **<u>Risk Management Process</u>**:
   - <u>Business Planning</u>: Risk is a stakeholder in the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities.
   - <u>Risk Identification</u>: Risks are systematically identified through the robust application of the Group's risk frameworks, policies and procedures.
   - <u>Measure and Assess</u>: Risks are measured and aggregated using the Group wide methodologies across each of the risk types, including stress testing.
   - <u>Manage and Control</u>: Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- <u>Monitor and Report</u>: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

d) **<u>Risk Management Infrastructure</u>**
   - <u>Risk Policies, Methodologies and Procedures</u>: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
   - <u>People</u>: Attracting the right talent and skills are key to ensuring a well-functioning EWRM Framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
   - <u>Technology and Data</u>: Appropriate technology and sound data management are enablers to support risk management activities.

e) **<u>Risk Culture</u>**: The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

RISK MANAGEMENT OVERVIEW *(continued)*

Risk Governance

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

In order to facilitate the effective implementation of the EWRM framework, our 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 responsibility of the supervision of the risk management functions is delegated to our GRC, comprising senior management of our Group and reports directly to our BRC. Our 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 our Group. Our GRC is supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Market risk, arising from fluctuations in the market value of the trading exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(ii) Credit risk, arising from 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 our Group;

(iii) Liquidity risk, arising from a bank's inability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk, arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Interest rate risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates;

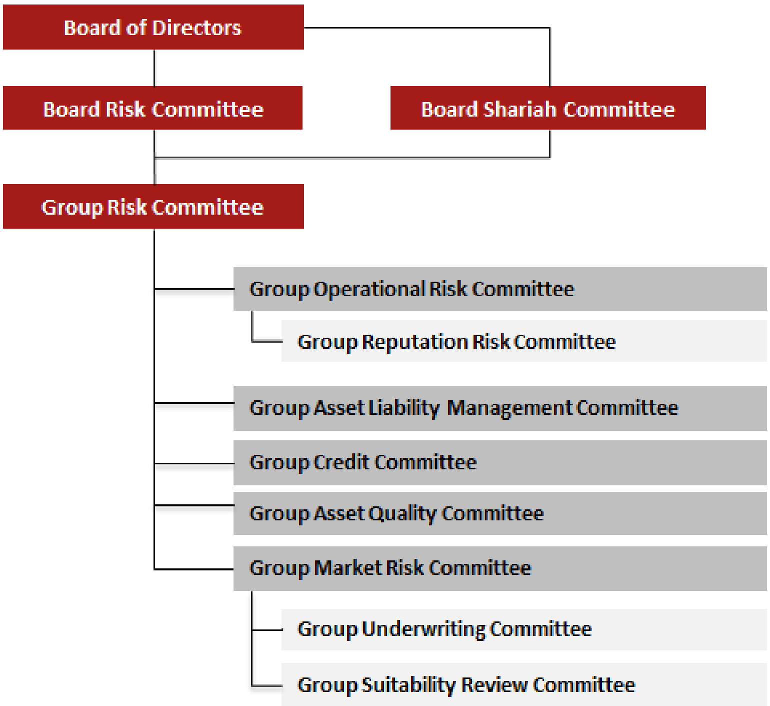
(vi) Capital risk, arising from the failure of not meeting the minimum regulatory and internal requirements that could incur regulatory sanction of our Group, resulting in a potential capital charge; and

(vii) SNC risk, arising from failure to comply with the Shariah requirements as determined by SAC of BNM and SC, the BSC of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates.

RISK MANAGEMENT OVERVIEW *(continued)*

Risk Governance (continued)

The structure of CIMB Group Risk Committees is depicted in the following chart:



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

Three-Lines of Defence

Our 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 our 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.

RISK MANAGEMENT OVERVIEW *(continued)*

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 stakeholders in the monitoring and controlling of the Group's risk exposures within the board approved risk appetite statement.

The organisational structure of GRD is made of two major components, namely the Chief Risk Officers and the Risk Centres of Excellence ("CoE"). GRD is headed by the Group Chief Risk Officer who is appointed by the Board to lead the Group-wide risk management functions including the implementation of the EWRM framework. 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 key country of operation, 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 CoEs in order to facilitate the implementation of the Group's EWRM framework. The Risk CoEs consisting of Risk Analytics & Infrastructure, Market Risk, Operational Risk, Asset Liability Management, Credit Risk and Shariah Risk Management CoEs are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

a) Risk Analytics & Infrastructure CoE

The Risk Analytics & Infrastructure CoE designs frameworks, develops risk models and tools and implements standardised infrastructure for risk management across the Group.

b) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalized through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value at Risk and market risk capital as well as performing stress testing.

c) Operational Risk CoE

The Operational Risk CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework.

d) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies i for the independent assessment, measurement and monitoring of liquidity risk and interest rate risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

RISK MANAGEMENT OVERVIEW *(continued)*

The Roles of CRO and Group Risk Division (continued)

e) Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management and monitoring of credit risk of the Group. It ensures a homogenous and consistent approach tocredit risk policies, methodologies and procedures; credit risk models; underwriting; and portfolio analytics.

f) Shariah Risk Management CoE

The Shariah Risk Management CoE facilitates the process of identifying, measuring, controlling and monitoring Shariah Non Compliance (SNC) risks inherent in the Group's Islamic businesses and services. SRM COE formulates, recommends and implements appropriate Shariah Risk Management (SRM) policies & guidelines; and develops and implements processes for SNC risk awareness.

In addition to the above Risk CoEs, there is also specialised teams within Group Risk:

- The Regional Risk & International Offices team oversees the risk management functions of the regional offices, our Group's asset management and securities businesses and also houses the validation team.

In ensuring a standardised approach to risk management across the Group, all risk management teams within our 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 CoEs. Otherwise, the risk management activities will be performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

RISK MANAGEMENT OVERVIEW *(continued)*

Strategies and Processes for Various Risk Management

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk and Interest Rate 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 (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic 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 overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's 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 CEO of GIB.

Shariah & Governance Department (S&G) of GIB 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 Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions. In performing its roles, S&G is complemented by the roles of the Shariah Compliance functions consisting of Shariah Risk Management COE, Shariah Compliance Review and Shariah Audit.

CIMB 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.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Compliance Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Internal Audit Division respectively.

Shariah non-compliance income occurring during the year

During the year ended 31 December 2016, an amount of RM1,553.70 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, 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 Basel III compliant instruments during the financial year and will continually review potential future issuances under the Capital Management Plan. Notes 29 to 31 in CIMBGH Financial Statements show the summary of terms and conditions of the capital instruments.

The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components). The minimum regulatory capital adequacy requirements in 2016 for the Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio are 5.125%, 6.625% and 8.625% respectively.

On 13 October 2015, BNM issued revised guidelines on the Capital Adequacy Framework (Capital Components), of which will take effect beginning 1 January 2016 and 1 January 2019 for banking institutions and financial holding company respectively. BNM also issued updated guidelines on the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) which are applicable to all banking institutions with immediate effect and all financial holding companies with effect from 1 January 2019.

On 1 August 2016, BNM issued an updated framework which revised capital treatment for credit derivatives transactions in the trading book. In addition, the framework also clarifies on the following;

(i) Application of a 20% risk weight for the portion of residential mortgages guaranteed by Cagamas SRP Berhad under Cagamas MGP, Skim Rumah Pertamaku, and Skim Perumahan Belia;
(ii) Application of a 100% risk weight to all residential mortgages with a loan-to-value ratio of more than 90% approved and disbursed by banking institutions on or after 1 February 2011; and
(iii) Removal of the treatment for CGC's SME Assistance Guarantee Scheme as the scheme is no longer available.

Effective 1 August 2016, Commodity Finance and Object Finance portfolios are treated under Standardised Approach.

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

Table 1: Capital Position for CIMB Bank

(RM'000)	CIMB Bank	
	2016	**2015**
Common Equity Tier 1 capital		
Ordinary shares	5,276,655	5,148,084
Other reserves	23,251,046	21,591,225
Less Proposed dividend	(844,265)	(966,553)
Common Equity Tier 1 capital before regulatory adjustments	**27,683,436**	**25,772,756**
Less: Regulatory adjustments		
Goodwill	(3555,075)	(3,555,075)
Intangible assets	(833,024)	(874,745)
Deferred Tax Assets	(164,602)	(210,842)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,963,652)	(1,721,064)
Deductions in excess of Tier 2 capital	-	-
Shortfall in eligible provisions to expected losses	-	-
Others	(1,246,394)	(959,972)
Common equity Tier 1 capital after regulatory adjustments	**18,920,689**	**18,451,058**
Additional Tier 1 capital		
Perpetual preference shares	200,000	140,000
Non-innovative Tier 1 capital	-	700,000
Innovative Tier 1 Capital	1,000,000	1,128,260
Perpetual subordinated capital securities	1,400,000	-
Additional Tier 1 capital before regulatory adjustments	**2,600,000**	**1,968,260**
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	(138,568)	(88,000)
Additional Tier 1 capital after regulatory adjustments	**2,461,432**	**1,880,260**
Total Tier 1 capital	**21,382,121**	**20,331,318**
Tier 2 Capital		
Subordinated notes	7,050,000	7,050,000
Redeemable Preference Shares	29,740	29,740
Surplus eligible provisions over expected loss	375,461	480,515
Portfolio impairment allowance and regulatory reserves	247,139	236,377
Tier 2 capital before regulatory adjustments	**7,702,340**	**7,796,632**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

(RM'000)	CIMB Bank	
	2016	**2015**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(2,571,006)	(2,750,641)
Total Tier 2 Capital	**5,131,334**	**5,045,991**
Total Capital Base	**26,513,455**	**25,377,309**
RWA		
Credit risk	138,362,816	134,581,911
Market risk	11,249,430	12,251,594
Operational risk	13,500,836	12,885,118
Large Exposure risk requirement	719,612	666,867
Total RWA	**163,832,694**	**160,385,490**
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	11.549%	11.504%
Tier 1 ratio	13.051%	12.677%
Total capital ratio	16.183%	15.823%

The Total Capital ratio increased in 2016 compared to 2015 primarily due to (i) issuance of ordinary shares from reinvestment of the cash dividend surplus from CIMB Group's 8th Dividend Reinvestment Scheme ("DRS"); and (ii) the redemption of RM1.0 billion non-innovative tier 1 capital securities and issuance of RM1.4 billion Basel III Additional Tier 1 capital securities during the year. The increase in credit RWA was mainly due to increased corporate RWA but offset with enhanced PD model implementation for retail portfolios. The decrease in market RWA was predominantly contributed by decreased interest rate RWA, option RWA and FX RWA but offset by increased commodity RWA and equity RWA.

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

2016					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	27,118,838	27,118,838	212,483	212,483	16,999
Public Sector Entities	2,472	2,472	494	494	40
Banks, DFIs & MDBs	273,510	273,510	44,973	44,973	3,598
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,281,229	1,782,069	1,006,243	1,006,243	80,499
Corporate	7,520,496	5,035,204	6,294,100	6,294,100	503,528
Regulatory Retail	23,909,294	13,107,749	9,991,209	9,991,209	799,297
Residential Mortgages/RRE Financing	965,248	963,133	530,474	530,474	42,438
Higher Risk Assets	1,228,265	1,228,265	1,842,397	1,842,397	147,392
Other Assets	5,460,628	5,460,628	2,514,354	2,514,354	201,148
Securitisation	433,366	433,366	86,673	86,673	6,934
Total for SA	**69,193,345**	**55,405,233**	**22,523,400**	**22,523,400**	**1,801,872**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	23,956,786	23,956,786	4,602,204	4,602,204	368,176
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	115,700,586	115,700,586	71,149,011	71,149,011	5,691,921
Residential Mortgages/RRE Financing	53,861,876	53,861,876	12,140,405	12,140,405	971,232
Qualifying Revolving Retail	13,028,660	13,028,660	7,795,772	7,795,772	623,662
Hire Purchase	10,858,157	10,858,157	6,265,184	6,265,184	501,215
Other Retail	27,190,692	27,190,692	7,329,892	7,329,892	586,391
Securitisation	-	-	-	-	-
Total for IRB Approach	**244,596,756**	**244,596,756**	**109,282,468**	**109,282,468**	**8,742,597**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**313,790,101**	**300,001,989**	**138,362,816**	**138,362,816**	**11,069,025**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2016					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	**719,612**	**719,612**	**719,612**	**719,612**	**57,569**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			7,919,381	7,919,381	633,550
Foreign Currency Risk			647,247	647,247	51,780
Equity Risk			918,488	918,488	73,479
Commodity Risk			960,152	960,152	76,812
Options Risk			804,163	804,163	64,333
Total Market Risk			**11,249,430**	**11,249,430**	**899,954**
Operational Risk (BIA)			**13,500,836**	**13,500,836**	**1,080,067**
Total RWA and Capital Requirement			**163,832,694**	**163,832,694**	**13,106,616**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2015					**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	30,044,350	30,044,350	555,980	555,980	44,478
Public Sector Entities	2,397	2,397	481	481	38
Banks, DFIs & MDBs	71,011	71,011	6,031	6,031	483
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,438,026	2,230,631	1,236,384	1,236,384	98,911
Corporate	6,076,677	3,909,549	5,141,362	5,141,362	411,309
Regulatory Retail	24,307,441	11,935,532	9,809,606	9,809,606	784,768
Residential Mortgages/RRE Financing	731,749	730,507	428,844	428,844	34,308
Higher Risk Assets	1,549,130	1,549,130	2,323,695	2,323,695	185,896
Other Assets	5,838,235	5,838,235	2,523,966	2,523,966	201,917
Securitisation	418,876	418,876	83,775	83,775	6,702
Total for SA	**72,477,892**	**56,730,218**	**22,110,124**	**22,110,124**	**1,768,810**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	25,283,471	25,283,471	4,391,467	4,391,467	351,317
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	110,989,631	110,989,631	64,442,110	64,442,110	5,155,369
Residential Mortgages/RRE Financing	48,321,326	48,321,326	15,762,597	15,762,597	1,261,008
Qualifying Revolving Retail	13,257,531	13,257,531	8,518,891	8,518,891	681,511
Hire Purchase	10,114,520	10,114,520	6,046,569	6,046,569	483,726
Other Retail	21,363,980	21,363,980	6,943,825	6,943,825	555,506
Securitisation	-	-	-	-	-
Total for IRB Approach	**229,330,458**	**229,330,458**	**106,105,459**	**106,105,459**	**8,488,437**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**301,808,351**	**286,060,677**	**134,581,911**	**134,581,911**	**10,766,553**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2015					**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	**666,867**	**666,867**	**666,867**	**666,867**	**53,349**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			9,131,145	9,131,145	730,492
Foreign Currency Risk			815,036	815,036	65,203
Equity Risk			552,290	552,290	44,183
Commodity Risk			316,977	316,977	25,358
Options Risk			1,436,146	1,436,146	114,892
Total Market Risk			**12,251,594**	**12,251,594**	**980,128**
Operational Risk (BIA)			**12,885,118**	**12,885,118**	**1,030,809**
Total RWA and Capital Requirement			**160,385,491**	**160,385,491**	**12,830,839**

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 submits its ICAAP report to the BRC for approval and the Board for notification.

CREDIT RISK

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

Credit risk 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 our 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 risk-based delegated authority 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 risk-based delegated authority framework encompass 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. For corporate, commercial and private banking loans, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval. For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit approved at joint delegated authority and relevant credit committee.

The GRC with the support of Group Credit Committee, Group Asset Quality Committee and other relevant credit committees as well as GRD is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This amongst others includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and reviewing policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

CREDIT RISK *(continued)*

Credit Risk Management (continued)

Adherence to the above 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.

It is our Group policy 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 both quantitative and qualitative 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 non-retail 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 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

2016					CIMB Bank
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	23,756,322	2,972,420	-	390,096	27,118,838
Bank	19,796,246	3,622,512	-	814,010	24,232,768
Corporate	88,480,479	33,149,854	-	3,871,978	125,502,311
Mortgage/RRE Financing	49,185,547	5,641,577	-	-	54,827,124
HPE	10,858,157	-	-	-	10,858,157
QRRE	9,998,742	3,029,918	-	-	13,028,660
Other Retail	48,179,540	2,803,645	-	116,801	51,099,986
Other Exposures	6,567,756	521,432	-	33,070	7,122,258
Total Gross Credit Exposure	**256,822,788**	**51,741,358**	**-**	**5,225,956**	**313,790,101**

2015					CIMB Bank
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	26,664,621	2,617,287	-	762,442	30,044,350
Bank	15,917,133	6,510,108	-	2,929,637	25,356,879
Corporate	86,397,589	31,077,663	-	3,029,082	120,504,335
Mortgage/RRE Financing	43,521,038	5,532,036	-	-	49,053,075
HPE	10,114,520	-	-	-	10,114,520
QRRE	9,996,708	3,260,823	-	-	13,257,531
Other Retail	43,235,931	2,343,847	-	91,643	45,671,421
Other Exposures	7,420,277	350,545	-	35,419	7,806,241
Total Gross Credit Exposure	**243,267,817**	**51,692,310**	**-**	**6,848,224**	**301,808,351**

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

2016												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	263,363	-	-	1,059,588	1,194,823	-	2,324,650	1,221,491	20,976,275	-	78,649	27,118,838
Bank	-	-	-	-	-	-	-	23,318,452	914,316	-		24,232,768
Corporate	5,981,740	7,704,333	8,673,192	4,227,314	10,540,251	14,458,778	11,220,747	35,642,844	11,116,029	3,308,612	12,628,469	125,502,311
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-		54,827,124		54,827,124
HPE	-	-	-	-	-	-	-	-		10,858,157		10,858,157
QRRE	-	-	-	-	-	-	-	-	-	13,028,660		13,028,660
Other Retail	145,462	45,199	817,556	26,742	671,306	1,447,566	194,820	1,869,909	581,239	45,300,186		51,099,986
Other Exposures	25,234	-	-	-	-	-	-	1,403,478	112,137	-	5,581,409	7,122,258
Total Gross Credit Exposure	**6,415,799**	**7,749,532**	**9,490,749**	**5,313,645**	**12,406,380**	**15,906,344**	**13,740,217**	**63,456,174**	**33,699,995**	**127,322,739**	**18,288,527**	**313,790,101**

**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)*

2015												**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	271,290	-	-	1,121,530	1,133,611	-	2,010,401	4,514,035	20,993,483	-	-	30,044,350
Bank	118	-	-	-	-	-		25,225,017	131,743	-	-	25,356,879
Corporate	7,158,738	8,895,728	7,529,784	4,524,278	8,848,179	14,079,545	12,259,658	35,456,765	7,807,065	2,851,973	11,092,621	120,504,335
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	49,053,075	-	49,053,075
HPE	-	-	-	-	-	-	-	-	-	10,114,520	-	10,114,520
QRRE	-	-	-	-	-	-	-	-	-	13,257,531	-	13,257,531
Other Retail	122,134	33,166	642,308	25,890	590,390	1,169,706	147,484	1,570,112	521,232	40,849,000	-	45,671,421
Other Exposures	24,148	-	-	-	-	-	-	1,447,384	185,614	-	6,149,095	7,806,241
Total Gross Credit Exposure	**7,576,429**	**8,928,894**	**8,172,092**	**5,671,699**	**10,572,180**	**15,249,251**	**14,417,543**	**68,213,313**	**29,639,137**	**116,126,098**	**17,241,716**	**301,808,351**

******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

2016				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	1,551,196	9,635,009	15,932,633	27,118,838
Bank	14,502,807	7,717,224	2,012,736	24,232,768
Corporate	34,835,269	53,009,849	37,657,193	125,502,311
Mortgage/RRE Financing	48,665	575,883	54,202,576	54,827,124
HPE	79,787	2,074,657	8,703,712	10,858,157
QRRE	13,028,660	-	-	13,028,660
Other Retail	2,845,508	2,189,974	46,064,504	51,099,986
Other Exposures	129,359	248,331	6,744,568	7,122,258
Total Gross Credit Exposure	**67,021,250**	**75,450,927**	**171,317,923**	**313,790,101**

2015				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	5,832,769	7,561,547	16,650,034	30,044,350
Bank	15,999,685	7,729,247	1,627,947	25,356,879
Corporate	29,017,710	54,475,111	37,011,514	120,504,335
Mortgage/RRE Financing	52,585	747,193	48,253,297	49,053,075
HPE	83,396	1,852,982	8,178,142	10,114,520
QRRE	13,257,531	-	-	13,257,531
Other Retail	2,119,073	2,490,486	41,061,863	45,671,421
Other Exposures	39,734	315,204	7,451,302	7,806,241
Total Gross Credit Exposure	**66,402,482**	**75,171,770**	**160,234,099**	**301,808,351**

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/financing 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 2016 and 31 December 2015 which were past due but not impaired by sector and geographical respectively:

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

(RM'000)	CIMB Bank	
	2016	2015
Primary Agriculture	13,222	19,575
Mining and Quarrying	1,221	6,934
Manufacturing	50,735	38,546
Electricity, Gas and Water Supply	523	768
Construction	77,579	77,448
Wholesale and Retail Trade, and Restaurants and Hotels	143,602	137,305
Transport, Storage and Communication	44,640	45,289
Finance, Insurance/Takaful, Real Estate and Business Activities	143,270	132,692
Education, Health and Others	40,758	67,561
Household	8,673,260	7,015,308
Others*	4,105	11,088
Total	**9,192,915**	**7,552,514**

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

Table 7: Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMB Bank	
	2016	2015
Malaysia	8,656,840	7,423,272
Singapore	536,075	129,242
Thailand	-	-
Other Countries	-	-
Total	**9,192,915**	**7,552,514**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

i) Impaired Loans/Financing

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/financing and on loans/financing assessed collectively.

Losses for impaired loans/financing are recognised promptly when there is objective evidence that impairment of a portfolio of loans/financing 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/Financing that have not been individually assessed are grouped together for portfolio impairment assessment. These loans/financing 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 2016 and 31 December 2015 which were impaired by sector and geographical respectively:

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financing *(continued)*

Table 8: Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMB Bank	
	2016	2015
Primary Agriculture	46,704	42,544
Mining and Quarrying	127,118	35,772
Manufacturing	236,806	260,386
Electricity, Gas and Water Supply	1,016	341
Construction	87,442	102,438
Wholesale and Retail Trade, and Restaurants and Hotels	175,278	127,610
Transport, Storage and Communication	1,133,434	1,014,518
Finance, Insurance/Takaful, Real Estate and Business Activities	199,282	174,435
Education, Health and Others	13,936	114,259
Household	1,455,245	1,204,432
Others*	7,188	47,584
Total	**3,483,449**	**3,124,319**

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

Table 9: Impaired Loans, Advances and Financing by Geographic Distribution

(RM'000)	CIMB Bank	
	2016	2015
Malaysia	3,070,980	3,033,129
Singapore	412,208	91,188
Thailand	-	-
Other Countries	261	2
Total	**3,483,449**	**3,124,319**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/ Financing *(continued)*

Table 10: Individual Impairment and Portfolio Impairment Allowances by Sector

(RM'000)	CIMB Bank			
	2016		2015	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	28,215	12,294	31,957	9,198
Mining and Quarrying	34,404	14,227	32,392	6,995
Manufacturing	151,543	38,191	152,228	38,008
Electricity, Gas and Water Supply	672	1,289	-	448
Construction	35,899	64,625	49,127	33,477
Wholesale and Retail Trade, and Restaurants and Hotels	75,226	61,552	40,112	68,579
Transport, Storage and Communication	1,033,547	13,442	1,006,084	12,758
Finance, Insurance/Takaful, Real Estate and Business Activities	150,370	53,344	140,445	54,450
Education, Health and Others	3,711	12,804	3,498	12,169
Household	93,111	824,291	47,752	868,733
Others*	4,124	4,117	39,671	5,858
Total	**1,610,822**	**1,100,176**	**1,543,266**	**1,110,673**

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

Table 11: Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution

(RM'000)	CIMB Bank			
	2016		2015	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,488,740	1,045,083	1,515,212	1,063,878
Singapore	122,082	48,707	28,054	38,921
Thailand	-	-	-	-
Other Countries	-	6,386	-	7,874
Total	**1,610,822**	**1,100,176**	**1,543,266**	**1,110,673**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances &Financing (continued)

ii) Impaired Loans/ Financing (continued)

Table 12: Charges for Individual Impairment Provision and Write Offs During the Year

(RM'000)	CIMB Bank			
	2016		2015	
	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	(92)	-	13,305	6,660
Mining and Quarrying	55	-	74	658
Manufacturing	379	8,520	(2,096)	78,952
Electricity, Gas and Water Supply	-	-	-	-
Construction	(6,954)	5,527	(1,780)	22,390
Wholesale and Retail Trade, and Restaurants and Hotels	8,817	12,263	(3,177)	33,980
Transport, Storage and Communication	(3,754)	491	9,499	-
Finance, Insurance/Takaful, Real Estate and Business Activities	(9,374)	-	4,776	10,611
Education, Health and Others	151	-	386	-
Household	121,258	20,109	20,635	6,754
Others*	-	-	(1,762)	12,552
Total	**110,486**	**46,910**	**39,860**	**172,557**

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

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Impaired Loans/Financing *(continued)*

Table 13: Analysis of movement for Loan/ Financing Impairment Allowances for the Year Ended 31 December 2016 and 31 December 2015

(RM'000)	CIMB Bank			
	2016		2015	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	1,543,266	1,110,673	1,613,522	1,231,434
Allowance made during the financial period/year	110,486	417,423	39,860	295,808
Amount written back in respect of recoveries	(11,258)	11,258	-	-
Allowance (written back)/made and charged to deferred assets	-	-	-	-
Amount written off	(46,910)	(445,595)	(172,557)	(426,480)
Transferto intercompany		596	-	-
Exchange fluctuation	15,238	5,821	62,441	9,911
Total	**1,610,822**	**1,100,176**	**1,543,266**	**1,110,673**

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 under the SA

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 14: Disclosure by Risk Weight under SA

2016											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%	26,614,827	-	114,302	-	-	-	-	-	2,946,274	-	29,675,402	-
20%	131,742	2,472	115,436	376,732	-	-	-	-	-	433,366	1,059,748	211,950
35%	-		-	-	-	-	509,882	-	-	-	509,882	178,459
50%	372,270	-	43,772	948,882	19,553	27,303	199,794	-	-	-	1,611,573	805,787
75%	-	-	-	-		12,457,282	5,357	-	-	-	12,462,639	9,346,979
100%	-	-	-	456,455	4,820,954	600,301	248,100	-	2,514,354	-	8,640,164	8,640,164
100% < RW < 1250%	-	-	-	-	88,212	22,864	-	1,228,265	-	-	1,339,340	2,009,011
1250%	-	-	-	-	106,484	-	-	-	-	-	106,484	1,331,051
Total	**27,118,838**	**2,472**	**273,510**	**1,782,069**	**5,035,204**	**13,107,749**	**963,133**	**1,228,265**	**5,460,628**	**433,366**	**55,405,233**	**22,523,400**
Average Risk Weight	**1%**	**20%**	**16%**	**56%**	**125%**	**76%**	**55%**	**150%**	**46%**	**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 14: Disclosure by Risk Weight under SA *(continued)*

2015												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%	28,978,194	-	58,830	-	-	-	-	-	3,234,521	-	32,271,545	-
20%	73,759	2,396	197	293,620	-	-	-	-	99,685	418,876	888,532	177,706
35%	-	-	-	-		-	382,160	-	-	-	382,160	133,756
50%	902,338	-	11,984	1,518,703	22,331	28,516	103,318	-	-	-	2,587,190	1,293,595
75%	-	-	-	-	-	8,483,482	6,396	-	-	-	8,489,879	6,367,409
100%	90,059	-	-	418,309	3,743,912	3,405,129	238,632	-	2,504,029	-	10,400,071	10,400,071
100% < RW <1250%	-	1	-	-	36,822	18,405	-	1,549,130	-	-	1,604,358	2,406,536
1250%	-	-	-	-	106,484	-	-	-	-	-	106,484	1,331,051
Total	**30,044,350**	**2,397**	**71,011**	**2,230,631**	**3,909,549**	**11,935,532**	**730,507**	**1,549,130**	**5,838,235**	**418,876**	**56,730,218**	**22,110,124**
Average Risk Weight	**2%**	**20%**	**8%**	**55%**	**132%**	**82%**	**59%**	**150%**	**43%**	**20%**	**39%**	
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 15: Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs

2016				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	2,472	2,472
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,770,509	141,375	369,345	2,281,229
Corporate	1,824	36,469	7,482,204	7,520,496
Sovereign/Central Banks	18,164,102	-	8,954,736	27,118,838
Banks, MDBs and DFIs	273,510	-	-	273,510
Total	**20,209,945**	**177,844**	**16,808,756**	**37,196,545**

2015				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	2,397	2,397
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,463,792	83,937	890,297	3,438,026
Corporate	12	159,255	5,917,410	6,076,677
Sovereign/Central Banks	18,031,746	90,059	11,922,545	30,044,350
Banks, MDBs and DFIs	71,011	-	-	71,011
Total	**20,566,560**	**333,252**	**18,732,650**	**39,632,461**

CREDIT RISK *(continued)*

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

Table 16: Disclosures of Securitisation under SA according to Ratings by ECAIs

2016				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	433,366	-	-	**433,366**

2015				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	418,876	-	-	**418,876**

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/financing 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 2016 and 31 December 2015:

Table 17: Retail Exposures under the IRB Approach by PD Band

2016				**CIMB Bank**
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure	**88,661,332**	**14,643,070**	**1,634,982**	**104,939,385**
Residential Mortgage/RRE Financing	47,150,426	5,794,319	917,132	53,861,876
QRRE	9,081,532	3,816,773	130,356	13,028,660
Hire Purchase	9,143,517	1,540,554	174,086	10,858,157
Other Retail	23,285,858	3,491,425	413,409	27,190,692
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	23%	28%	
QRRE	89%	89%	89%	
Hire Purchase	51%	53%	56%	
Other Retail	27%	30%	66%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	13%	79%	142%	
QRRE	29%	131%	146%	
Hire Purchase	51%	86%	168%	
Other Retail	21%	50%	187%	

CREDIT RISK *(continued)*

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

Retail Exposures (continued)

Table 17: Retail Exposures under the IRB Approach by PD Band (continued)

2015				CIMB Bank
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**81,658,454**	**9,894,535**	**1,504,367**	**93,057,356**
Residential Mortgage/RRE Financing	45,216,474	2,328,032	776,819	48,321,326
QRRE	8,826,111	4,327,280	104,140	13,257,531
Hire Purchase	8,245,996	1,707,528	160,995	10,114,520
Other Retail	19,369,873	1,531,695	462,412	21,363,980
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	22%	23%	29%	
QRRE	89%	89%	89%	
Hire Purchase	52%	53%	57%	
Other Retail	27%	31%	70%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	29%	88%	95%	
QRRE	30%	131%	208%	
Hire Purchase	52%	89%	162%	
Other Retail	26%	47%	255%	

CREDIT RISK *(continued)*

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

Retail Exposures (continued)

Table 18: Retail Exposures under the IRB Approach by Expected Loss Range

2016				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**92,029,295**	**12,818,721**	**91,369**	**104,939,385**
Residential Mortgage/RRE Financing	50,886,747	2,925,938	49,191	53,861,876
QRRE	7,375,133	5,653,527	-	13,028,660
Hire Purchase	9,153,283	1,703,056	1,818	10,858,157
Other Retail	24,614,132	2,536,200	40,359	27,190,692
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	27%	37%	
QRRE	89%	89%	-	
Hire Purchase	51%	53%	59%	
Other Retail	27%	38%	72%	

2015				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**81,543,613**	**11,405,021**	**108,723**	**93,057,356**
Residential Mortgage/RRE Financing	46,295,465	1,963,838	62,022	48,321,326
QRRE	6,696,976	6,560,555	-	13,257,531
Hire Purchase	8,244,804	1,868,395	1,321	10,114,520
Other Retail	20,306,367	1,012,233	45,380	21,363,980
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	22%	26%	38%	
QRRE	89%	89%	-	
Hire Purchase	52%	54%	63%	
Other Retail	28%	49%	74%	

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 Group Credit Risk Rating Methodology. 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 2016 and 31 December 2015:

Table 19: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

2016						CIMB Bank
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	141,175	1,440,096	-	96,308	1,432,687	3,110,266
Object Finance	-	-	-	-	-	-
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	2,377,175	9,410,773	928,532	49,257	2,097	12,767,832
RWA	**1,356,611**	**8,887,225**	**1,067,811**	**363,911**	**-**	**11,675,558**

CREDIT RISK *(continued)*

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

Non-retail Exposures (continued)

Table 19: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach (continued)

2015						**CIMB Bank**
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	71,397	1,146,498	104,584	52,743	1,392,307	2,767,529
Object Finance	-	27,844	140,242	-	7,750	175,836
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	2,637,274	6,419,970	526,839	142,563	-	9,726,646
RWA	**1,566,918**	**6,018,263**	**887,416**	**488,264**	**-**	**8,960,860**

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

Table 20: Non-Retail Exposures under IRB Approach by Risk Grades

2016					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**42,588,765**	**60,035,996**	**19,150,455**	**2,004,059**	**123,779,274**
Sovereign/Central Banks	-	-	-	-	-
Bank	20,529,003	3,308,383	119,400	0	23,956,786
Corporate (excluding Specialised Lending/ Financing)	22,059,762	56,727,613	19,031,055	2,004,059	99,822,488
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	38%	24%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	45%	37%	34%	38%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	18%	23%	167%	-	
Corporate (excluding Specialised Lending/ Financing)	16%	65%	101%	-	

CREDIT RISK *(continued)*

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

Non-retail Exposures (continued)

Table 20: Non-Retail Exposures under IRB Approach by Risk Grades (continued)

2015					CIMB Bank
(RM'000) **Internal Risk Grading**	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**44,896,577**	**60,773,676**	**16,392,872**	**1,539,967**	**123,603,092**
Sovereign/Central Banks	-	-	-	-	-
Bank	22,612,961	2,636,830	33,680	0	25,283,471
Corporate (excluding Specialised Lending/ Financing)	22,283,616	58,136,847	16,359,193	1,539,966	98,319,621
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	35%	29%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	45%	37%	30%	43%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	16%	31%	138%	-	
Corporate (excluding Specialised Lending/ Financing)	18%	64%	89%	-	

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 21: Analysis of Expected Losses versus Actual Losses by Portfolio Types

				CIMB Bank
	2016		2015	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016	Regulatory Expected Losses as at 31 December 2014	Actual Losses for the year ended 31 December 2015
Sovereign	-	-	-	-
Bank	6,998	0	13,890	0
Corporate	566,641	152,557	618,247	19,143
Mortgage/RRE Financing	160,497	25,593	169,735	(3,322)
HPE	127,312	86,843	146,115	75,027
QRRE	466,167	184,523	431,788	148,092
Other Retail	81,335	(15,352)	76,674	(30,155)
Total	**1,408,950**	**434,164**	**1,456,449**	**208,786**

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 2016, the additional collateral to be posted was RM RM6,729,000 while the amount was RM6,439,500 as at 31 December 2015.

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 2016 and 31 December 2015:

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

Table 22: Disclosure on Off-Balance Sheet Exposures and CCR

2016	CIMB Bank			
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,548,567		3,548,567	1,799,093
Transaction Related Contingent Items	3,661,396		1,830,698	1,039,290
Short Term Self Liquidating Trade Related Contingencies	3,448,474		689,695	294,222
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
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	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	525,614,634	6,212,756	14,436,279	6,220,309
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	30,229,125		26,855,121	10,436,305
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	69,860		40,685	22,185
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	66,273,323		-	-
Unutilised credit card lines	23,080,940		6,419,331	2,556,485
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**655,926,318**	**6,212,756**	**53,820,377**	**22,367,889**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

Table 22: Disclosure on Off-Balance Sheet Exposures and CCR *(continued)*

2015				CIMB Bank
(RM '000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	3,461,135		3,461,135	1,727,790
Transaction Related Contingent Items	2,727,494		1,363,747	750,838
Short Term Self Liquidating Trade Related Contingencies	7,884,663		1,576,933	263,108
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
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	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	514,941,619	5,953,319	13,963,196	5,948,378
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	22,290,348		19,478,400	8,622,802
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	68,827		41,379	15,339
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	72,147,047		-	-
Unutilised credit card lines	22,405,086		6,651,850	2,964,121
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**645,926,218**	**5,953,319**	**46,536,639**	**20,292,377**

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 23: Disclosure on Credit Derivative Transactions for CIMB Bank

(RM'000)	CIMB Bank			
	2016		2015	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	3,016,624	3,162,680	1,356,115	3,110,468
Client Intermediation Activities	130,900	410,210	27,150	230,825
Total	**3,147,524**	**3,572,890**	**1,383,265**	**3,341,293**
Credit Default Swaps	3,120,374	3,370,180	1,356,115	3,110,468
Total Return Swaps	27,150	202,710	27,150	230,825
Total	**3,147,524**	**3,572,890**	**1,383,265**	**3,341,293**

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 products, counterparty, sectors and country.

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2016 and 31 December 2015:

Table 24: Disclosure on Credit Risk Mitigation

2016				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	27,118,838	-	-	-
Public Sector Entities	2,472	-	-	-
Banks, DFIs & MDBs	24,230,295	-	5,220,880	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,281,229	2,500	499,160	-
Corporate	119,583,851	66,220	14,418,771	14,226,723
Residential Mortgages/RRE Financing	54,022,057	-	2,115	-
Qualifying Revolving Retail	12,918,182	-	-	-
Hire Purchase	10,684,071	-	-	-
Other Retail	50,603,780	-	10,798,443	-
Securitisation	433,366	-	-	-
Higher Risk Assets	1,228,265	-	-	-
Other Assets	5,460,628	-	-	-
Defaulted Exposures	2,601,070	-	358,024	279,901
Total Exposures	**311,168,102**	**68,720**	**31,297,392**	**14,506,625**

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 24: Disclosure on Credit Risk Mitigation (continued)

2015				**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	30,044,350	-	-	-
Public Sector Entities	2,396	-	-	-
Banks, DFIs & MDBs	25,434,975	-	6,267,567	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	3,438,011	429,335	1,207,395	-
Corporate	114,459,195	2,244,295	15,987,590	13,523,286
Residential Mortgages/RRE Financing	48,272,830	-	1,242	-
Qualifying Revolving Retail	13,178,064	-	-	-
Hire Purchase	9,953,524	-	-	-
Other Retail	45,172,525	-	12,369,183	-
Securitisation	418,876	-	-	-
Higher Risk Assets	1,549,130	-	-	-
Other Assets	5,838,235	-	-	-
Defaulted Exposures	1,987,541	-	20,091	308,716
Total Exposures	**299,749,652**	**2,673,630**	**35,853,067**	**13,832,002**

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 regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB 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-2016, CIMB 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 2016

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.

CIMB Bank continues to administer the assets as servicer for the SPV and monitors the various risks, including 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. Note: 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 2016 and 31 December 2015:

Table 25: Disclosure on Securitisation for Trading and Banking Book

2016 (RM'000)	CIMB Bank			
Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	-	-	-	-

2015 (RM'000)	CIMB Bank			
Underlying Asset	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the year**
TRADITIONAL SECURITISATION (Banking Book)				
Originated by the Banking Institution				
Hire Purchase Exposure	14,751	6,552	2,569	1,448

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 26: Disclosure on Securitisation under the SA for Banking Book Exposures

2016												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)												
<u>*Non-originating Banking Institution*</u>												
On-Balance Sheet												
Most senior	419,584	-	-	-	419,584	-	-	-	-			83,917
Mezzanine	13,782	-	-	-	13,782	-	-	-	-			2,756
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 26: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2016													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	**433,366**	**-**	**-**	**-**	**433,366**	**-**	**-**	**-**	**-**	**-**	**-**	**86,673**

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

Table 26: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2015												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	406,468	-	-	-	406,468	-	-	-	-			81,294
Mezzanine	12,407	-	-	-	12,407	-	-	-	-			2,481
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 26: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2015												**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**	
<u>Originating Banking Institution</u>												
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	**418,876**				**418,876**							**83,775**

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

2016					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	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
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)	**-**	**-**	**-**	**-**	**-**

SECURITISATION *(continued)*

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

Table 27: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge (continued)

2015	**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	990	-	30	20	622
Off-Balance Sheet	-	-	-	-	-
Sub-total	990	-	30	20	622
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)	**990**	**-**	**30**	**20**	**622**

MARKET RISK

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

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

Our Group adopts various measures as part of risk management process to mitigate market risk. An accurate and timely valuation of a position is critical in ensuring current market exposure is not mismatched. Our GRC with the assistance of GMRC and GUC ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board. GRC, GMRC and GUC, supported by the Market Risk CoE in GRD is responsible to measure and control our Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

The Market Risk Centre of Excellence undertakes the monitoring and oversight process at Treasury & Markets trading floors, which include reviewing and analysing treasury trading 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 the 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. The valuation methods and models used are validated by the quantitative analysts.

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.

Broadly, the Group is exposed to four major types of market risk namely equity risk, interest/profit rate risk, foreign exchange risk and commodity risk. VaR limits are allocated for each type of market risk undertaken for effective risk monitoring and control.

All market risk limits are reviewed and recommended by GMRC for approval by GRC and utilisation of limits is monitored on a daily basis. Daily risk reports are disseminated to Treasury and head of each business unit is accountable for market risk exposure under his/her purview. Any excess in limit will be escalated to management in accordance with the Group's exception management procedures.

Apart from daily monitoring, market risk exposures and VaR of the Group will be summarised and submitted to GMRC, GRC and BRC on a monthly basis.

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

MARKET RISK *(continued)*

Market Risk Management (continued)

to remain unchanged. The number of exceptions would be the number of times the difference in hypothetical value exceeds the computed 1-day VaR.

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 GRC to provide senior management with an overview of the impact to the Group if such stress scenarios were to materialise.

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/profit 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 and systems, or from external events. The definition includes legal risk but excludes strategic and reputation risks.

Operational Risk Management Oversight

The Operational Risk Management (ORM) department, a second line of defence function, provides the methodology, tools and processes for the identification, assessment, reporting, mitigation and control of operational risks for the implementation by respective risk owners across the Group. The ORM department also independently oversees the operational risk monitoring that resides within the first line of defence.

The identification of risks are rated using a universal risk rating methodology applied across the Group's three lines of defence. Monitoring of known risks is primarily done through a network of Operational Risk Committees operating in each material geography and business line. These committees report up to the relevant business function or country level committees.

The Group Operational Risk Management Committee (GORC) is the senior management group that reviews the operational risk framework and policies to ensure they are appropriate for the size and complexity of the current and future operations of CIMB Group and make recommendation to the Board Risk Committee (BRC) for approval. GORC oversees and monitors the overall control environment of CIMB Group and report to the Group Risk Committee (GRC) and Board Risk Committee (BRC) on material operational risks.

Escalation and reporting processes are well instituted through the various management Committees mentioned above. The responsibilities of the Committees and the Board include the following:

i) Oversight and implementation of the Operational Risk Management Framework
ii) Establish operational risk appetite
iii) Establish effective policies, processes and systems for managing operational risk and an internal governance structure
iv) Be aware of key operational risk issues
v) Ensure that product risks are well managed and the needs and rights of consumers are appropriately addressed
vi) Ensure compliance to regulatory and internal requirements including disclosures.

Group Internal Audit Division performs regular reviews and assessments of the operational risk management framework, processes and systems. Results are communicated to the Board and senior management.

Operational Risk Management Approach

CIMB Group recognizes that the key determinant for a well-managed banking operation is to cultivate an organizational wide risk management discipline and culture. Our Group manages operational risks 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:
    - Risk and Control Self-Assessment;

OPERATIONAL RISK *(continued)*

Operational Risk Management Approach (continued)

- Control Issue Management;
- Event Loss Data Reporting;
- New Product Approval Process; and
- Control Effectiveness Testing

These tools form part of the operational risk policy that allows CIMB Group to effectively identify, measure, mitigate and report the Group's operational risks. Each material division of the CIMB Group self-assesses their internal risk and control environment and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow are subjected to a rigorous risk review through sign-offs from the relevant stakeholders where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

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

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 2016 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 2016 and 31 December 2015 is as follows:

Table 28: Realised Gains/Losses from Sales and Liquidations, and Unrealised Gains of Equities

(RM'000)	CIMB Bank	
	2016	2015
Realised gains		
Shares, private equity funds and unit trusts	20,202	12,880
Unrealised gains		
Shares, private equity funds and unit trusts	706,815	620,782

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2016 and 31 December 2015:

Table 29: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2016		2015	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,228,265	1,842,397	1,549,130	2,323,695
Publicly traded	0	0	0	0
Total	**1,228,265**	**1,842,397**	**1,549,130**	**2,323,695**

INTEREST RATE RISK IN THE BANKING BOOK

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

The material sources of IRRBB 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 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 related options embedded in banking book products).

IRRBB Management

Our Group manages its exposure of fluctuations in the interest rates through policies established by GALCO. IRRBB undertaken by our Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by our Group. The risk appetite is established by the Board. GALCO is a Board delegated committee which reports to the GRC. With the support from ALM COE under GRD and CBSM under Group Finance, our GALCO is responsible for the review and monitoring of Group's balance sheet, business and hedging strategies, the overall interest rate risk profile and ensuring that such risk profile is within the established risk appetite. Treasury & Markets is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB is measured by:

- Economic Value of Equity (EVE) sensitivity:

  which measures the long term impact of sudden interest rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate 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. This 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 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 IN THE BANKING BOOK *(continued)*

IRRBB Management (continued)

The table below illustrates CIMB Bank's IRRBB under a 100 bps parallel upward interest rate shock from economic value perspective:

Table 30: IRRBB – Impact on Economic Value

(RM'000)	CIMB Bank	
	2016	2015
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	(836,560)	(652,473)
US Dollar	(109,342)	(182,171)
Thai Baht	(11)	(4)
Singapore Dollar	(148,721)	(116,423)
Others	60,416	53,628
Total	**(1,034,218)**	**(897,443)**

Note: *Subsequent to the disclosure, there was an amendment to the 2015 figures*

- Earnings at risk:

  is the potential impact of interest rate change on the bank's accruing or reported earnings. It focuses on risk to earnings in the near term, typically the next one year. Fluctuations in interest rates generally affect reported earnings through changes in the bank's net interest, which is the difference between total interest income earned from assets and total interest expense incurred from liabilities.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest 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 IN THE BANKING BOOK *(continued)*

IRRBB Management (continued)

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

Table 31: IRRBB – Impact on Earnings

(RM'000)	CIMB Bank	
	2016	2015
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	189,934	175,244
US Dollar	(120,262)	(35,997)
Thai Baht	261	86
Singapore Dollar	(49,376)	12,219
Others	23,546	10,831
Total	**44,103**	**162,383**

Note: *Subsequent to the disclosure, there was an amendment to the 2015 figures*

[END OF SECTION]