Basel II Pillar 3 Disclosure for 2017

- **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
GSOC	:	Group Strategic Oversight 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 2017 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 2017.

The basis of consolidation for financial accounting purposes is described in the 2017 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 2017 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 2017 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 part 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, thus enabling risk to be priced appropriately in relation to the return.

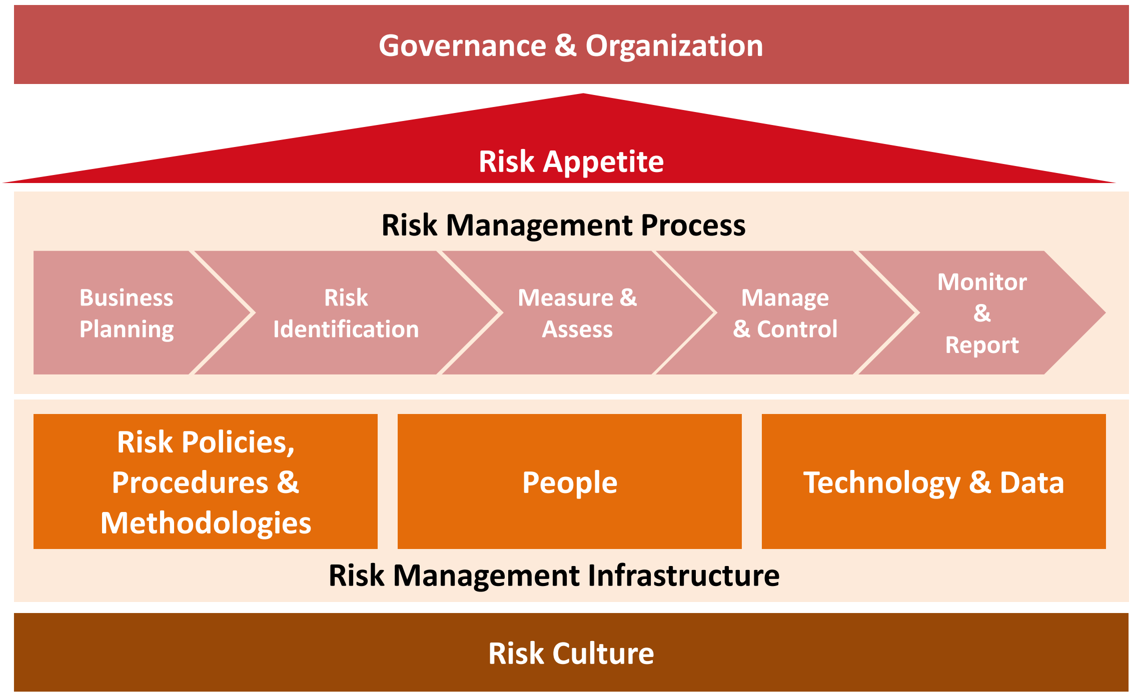
Generally, the objectives of our risk management activities are to:

- 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 an Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. 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)

The key features of the EWRM framework include:

a) **Governance & Organisation**: 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) **Risk Appetite**: 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.

c) **Risk Management Process**:
   - Business Planning: Risk management is central to in the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities.
   - Risk Identification: Risks are systematically identified through the robust application of the Group's risk frameworks, policies and procedures.
   - Measure and Assess: Risks are measured and aggregated using the Group wide methodologies across each of the risk types, including stress testing.
   - Manage and Control: 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.
- Monitor and Report: 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) **Risk Management Infrastructure**
   - Risk Policies, Methodologies and Procedures: 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 in order to comply with the policy. Procedures provide guidance for day-to-day risk taking activities.
   - People: Attracting the right talent and skillset 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.
   - Technology and Data: Appropriate technology and sound data management support risk management activities.

e) **Risk Culture**: 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, provides strategic guidance and reviews the decisions of our GRC.

To facilitate the effective implementation of the EWRM framework, our BRC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

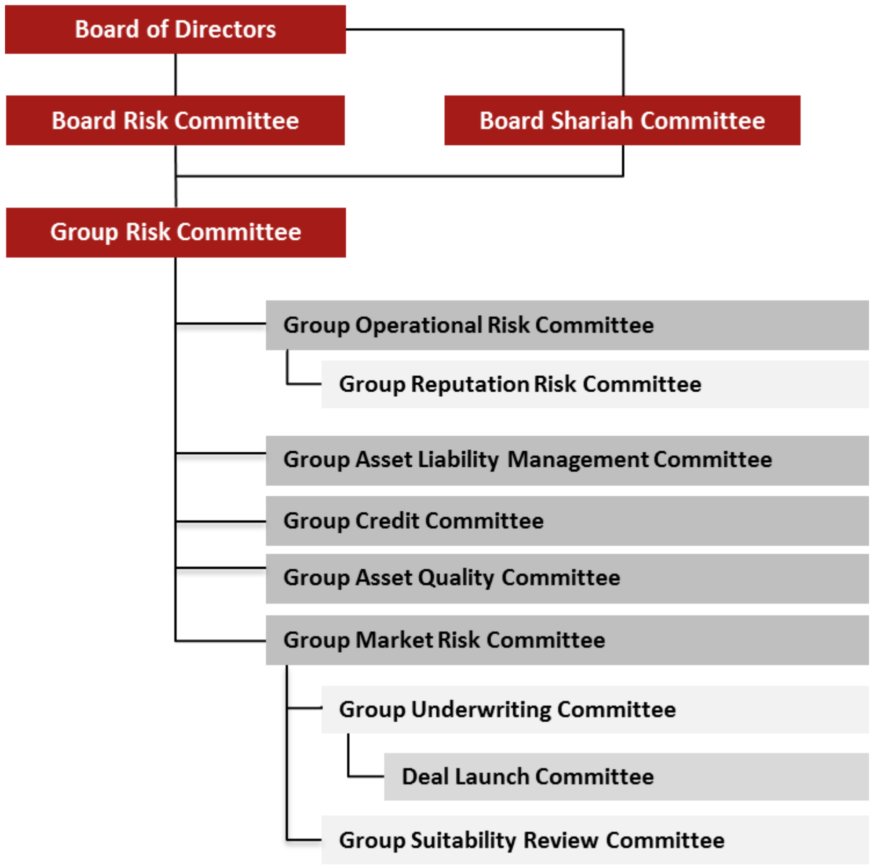
The responsibility of the supervision of the risk management functions is delegated to our GRC, comprised of senior management of our Group and reports directly to our BRC. Our GRC performs the oversight function on overall risks undertaken by the Group in delivering its business plan vis-à-vis the stated 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; or investment 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 an obligoror market counterparty or issuer of securities or other instruments held, having failed 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 to meet minimum regulatory and internal requirements which could incur regulatory sanction of our Group, thereby resulting in a potential capital charge; and
(vii) Shariah Non-Compliance (SNC) risk, arising from possible 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 regional communication, regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus allowing our Board with 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. Line management (including all business units and units which undertake client facing activities) provides the first line of defence. It is 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 reporting to management to ensure that our Group is conducting business and operating within the approved appetite, and is also in compliance to regulations. The third line of defence is Group Internal Audit Division which provides independent assurance on the adequacy and effectiveness of the internal controls and risk management activities process.

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 local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and regulators in the respective countries.

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, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit 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 & CRO International Offices team oversees the risk management functions of the regional offices, our Group's unit trust 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 risk management department, all risk management activities are 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.

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 Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

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 2017, an amount of RM83,350.21 was recorded as Shariah non-compliance (SNC) income. For the purpose of rectification, the stated amount has been 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 GSOC 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 2017 for the Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital ratio are 5.750%, 7.250% and 9.250% 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.

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

On 2 March 2017, BNM issued an updated framework whereby Banking institutions are provided the option to adopt the internal estimate method in computing effective maturity for non-retail exposures under F-IRB upon notifying the Bank. In addition, the framework also lists additional requirements to determine effective maturity for each facility under Advanced IRB 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	
	2017	2016
Common Equity Tier 1 capital		
Ordinary shares	17,610,939	5,276,655
Other reserves	13,904,088	23,251,046
Less Proposed dividend	(1,627,553)	(844,265)
Common Equity Tier 1 capital before regulatory adjustments	**29,887,474**	**27,683,436**
Less: Regulatory adjustments		
Goodwill	(3,555,075)	(3,555,075)
Intangible assets	(832,713)	(833,024)
Deferred Tax Assets	(157,309)	(164,602)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,260,702)	(2,963,652)
Deductions in excess of Tier 2 capital	-	-
Shortfall in eligible provisions to expected losses	-	-
Others	(1,485,929)	(1,246,394)
Common equity Tier 1 capital after regulatory adjustments	**19,595,746**	**18,920,689**
Additional Tier 1 capital		
Perpetual preference shares	200,000	200,000
Non-innovative Tier 1 capital	-	-
Innovative Tier 1 Capital	1,000,000	1,000,000
Perpetual subordinated capital securities	1,400,000	1,400,000
Additional Tier 1 capital before regulatory adjustments	**2,600,000**	**2,600,000**
Less: Regulatory adjustments		
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	(178,641)	(138,568)
Additional Tier 1 capital after regulatory adjustments	**2,421,359**	**2,461,432**
Total Tier 1 capital	**22,017,105**	**21,382,121**
Tier 2 Capital		
Subordinated notes	7,050,000	7,050,000
Redeemable Preference Shares	29,740	29,740
Surplus eligible provisions over expected loss	267,987	375,461
Portfolio impairment allowance and regulatory reserves	254,766	247,139
Tier 2 capital before regulatory adjustments	**7,602,493**	**7,702,340**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

(RM'000)	CIMB Bank	
	2017	**2016**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(1,911,008)	(2,571,006)
Total Tier 2 Capital	**5,691,485**	**5,131,334**
Total Capital Base	**27,708,590**	**26,513,455**
RWA		
Credit risk	138,811,146	138,362,816
Market risk	11,050,726	11,249,430
Operational risk	14,330,500	13,500,836
Large Exposure risk requirement	768,600	719,612
Total RWA	**164,960,972**	**163,832,694**
Capital Adequacy Ratios		
Common Equity Tier 1 Ratio	11.879%	11.549%
Tier 1 ratio	13.347%	13.051%
Total capital ratio	16.797%	16.183%

The Total Capital ratio increased in 2017 compared to 2016 primarily due to (i) issuance of ordinary shares from reinvestment of the cash dividend surplus from CIMB Group's 9th and 10th Dividend Reinvestment Scheme ("DRS"); (ii) profits for the year and (iii) disposal of Bank of Yingkou which reduced investment in ordinary shares of other Financial Institution. The increase in credit RWA was mainly due to increased bank RWA and sovereign RWA due to foreign currency interbank lending but offset by decreased retail RWA mainly due to new PD model implementation. The decrease in market RWA was predominantly contributed by decreased interest rate RWA and commodity RWA but offset by increased option 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

2017					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	39,140,303	39,140,303	481,717	481,717	38,537
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	371,430	371,430	51,331	51,331	4,106
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,271,665	1,908,700	1,007,114	1,007,114	80,569
Corporate	7,371,076	5,476,649	6,724,765	6,724,765	537,981
Regulatory Retail	21,168,550	12,154,171	8,891,270	8,891,270	711,302
Residential Mortgages/RRE Financing	814,472	811,963	295,389	295,389	23,631
Higher Risk Assets	1,099,200	1,099,200	1,648,800	1,648,800	131,904
Other Assets	5,121,772	5,121,772	2,579,529	2,579,529	206,362
Securitisation	251,393	251,393	50,279	50,279	4,022
Total for SA	**77,609,860**	**66,335,581**	**21,730,194**	**21,730,194**	**1,738,416**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	24,209,160	24,209,160	5,297,403	5,297,403	423,792
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	107,837,271	107,837,271	70,906,189	70,906,189	5,672,495
Residential Mortgages/RRE Financing	56,649,005	56,649,005	13,608,879	13,608,879	1,088,710
Qualifying Revolving Retail	14,553,200	14,553,200	8,298,248	8,298,248	663,860
Hire Purchase	9,489,810	9,489,810	5,351,733	5,351,733	428,139
Other Retail	28,021,362	28,021,362	6,991,276	6,991,276	559,302
Securitisation	-	-	-	-	-
Total for IRB Approach	**240,759,809**	**240,759,809**	**110,453,728**	**110,453,728**	**8,836,298**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**318,369,668**	**307,095,390**	**138,811,146**	**138,811,146**	**11,104,892**

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	**768,600**	**768,600**	**768,600**	**768,600**	**61,488**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			7,747,350	7,747,350	619,788
Foreign Currency Risk			615,013	615,013	49,201
Equity Risk			896,528	896,528	71,722
Commodity Risk			586,361	586,361	46,909
Options Risk			1,205,474	1,205,474	96,438
Total Market Risk			**11,050,726**	**11,050,726**	**884,058**
Operational Risk (BIA)			**14,330,500**	**14,330,500**	**1,146,440**
Total RWA and Capital Requirement			**164,960,971**	**164,960,971**	**13,196,878**

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%**
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)*

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

Credit risk is inherent in banking activities and arises 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 are unable or unwilling to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, are unable or unwilling 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 our Group's investment in that entity's financial instruments to fall.

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, our Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line of defence. This enhances the collaboration between Group Risk 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 Group Risk, 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; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. 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, other relevant credit committees as well as Group Risk 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 Group Risk, 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 Group Risk.

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 our Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum 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

2017					CIMB Bank
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	34,045,716	4,884,977	-	209,610	39,140,303
Bank	17,322,259	6,077,477	-	1,180,853	24,580,590
Corporate	85,867,395	28,064,300	-	3,548,317	117,480,012
Mortgage/RRE Financing	52,012,605	5,181,395	-	269,477	57,463,477
HPE	9,489,810	-	-	-	9,489,810
QRRE	11,836,713	2,716,487	-	-	14,553,200
Other Retail	46,385,054	2,798,052	-	6,806	49,189,912
Other Exposures	5,833,800	410,523	-	228,042	6,472,365
Total Gross Credit Exposure	**262,793,351**	**50,133,212**	**-**	**5,443,105**	**318,369,668**

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**

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

2017												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	199,958	-	-	1,019,462	2,041,999	-	2,822,364	10,641,766	22,296,561	-	118,192	39,140,303
Bank	-	-	-	-	-	-	-	24,580,590	-	-	-	24,580,590
Corporate	6,363,708	7,658,284	8,991,755	5,102,330	13,403,191	14,248,380	12,677,730	31,734,201	11,482,249	3,875,793	1,942,391	117,480,012
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	57,463,477	-	57,463,477
HPE	-	-	-	-	-	-	-	-	-	9,489,810	-	9,489,810
QRRE	-	-	-	-	-	-	-	-	-	14,553,200	-	14,553,200
Other Retail	149,689	45,443	908,500	29,019	702,298	1,555,742	224,605	2,061,787	589,627	42,923,200	-	49,189,912
Other Exposures	-	-	-	-	-	-	-	1,272,374	21,428	-	5,178,563	6,472,365
Total Gross Credit Exposure	**6,713,355**	**7,703,727**	**9,900,255**	**6,150,811**	**16,147,489**	**15,804,122**	**15,724,699**	**70,290,718**	**34,389,865**	**128,305,480**	**7,239,146**	**318,369,668**

**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)*

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)

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

2017				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	13,810,888	8,593,445	16,735,970	39,140,303
Bank	16,948,270	6,097,054	1,535,266	24,580,590
Corporate	40,396,433	43,824,379	33,259,200	117,480,012
Mortgage/RRE Financing	44,981	579,001	56,839,494	57,463,477
HPE	57,975	2,993,902	6,437,933	9,489,810
QRRE	14,553,200	-	-	14,553,200
Other Retail	3,090,881	2,368,387	43,730,644	49,189,912
Other Exposures	10,508	202,362	6,259,495	6,472,365
Total Gross Credit Exposure	**88,913,136**	**64,658,530**	**164,798,002**	**318,369,668**

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**

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 2017 and 31 December 2016 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	
	2017	2016
Primary Agriculture	19,016	13,222
Mining and Quarrying	6,247	1,221
Manufacturing	54,896	50,735
Electricity, Gas and Water Supply	4,303	523
Construction	74,312	77,579
Wholesale and Retail Trade, and Restaurants and Hotels	184,230	143,602
Transport, Storage and Communication	39,146	44,640
Finance, Insurance/Takaful, Real Estate and Business Activities	237,652	143,270
Education, Health and Others	96,296	40,758
Household	8,299,850	8,673,260
Others*	7,129	4,105
Total	**9,023,077**	**9,192,915**

**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	
	2017	2016
Malaysia	8,833,948	8,656,840
Singapore	189,023	536,075
Thailand	-	-
Other Countries	106	-
Total	**9,023,077**	**9,192,915**

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 2017 and 31 December 2016 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	
	2017	2016
Primary Agriculture	41,550	46,704
Mining and Quarrying	583,576	127,118
Manufacturing	199,983	236,806
Electricity, Gas and Water Supply	552	1,016
Construction	76,403	87,442
Wholesale and Retail Trade, and Restaurants and Hotels	289,457	175,278
Transport, Storage and Communication	1,253,085	1,133,434
Finance, Insurance/Takaful, Real Estate and Business Activities	176,520	199,282
Education, Health and Others	103,827	13,936
Household	1,193,352	1,455,245
Others*	12,253	7,188
Total	**3,930,558**	**3,483,449**

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

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

(RM'000)	CIMB Bank	
	2017	2016
Malaysia	3,117,173	3,070,980
Singapore	810,822	412,208
Thailand	-	-
Other Countries	2,563	261
Total	**3,930,558**	**3,483,449**

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			
	2017		2016	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	27,352	12,163	28,215	12,294
Mining and Quarrying	77,397	8,037	34,404	14,227
Manufacturing	78,752	39,210	151,543	38,191
Electricity, Gas and Water Supply	-	1,293	672	1,289
Construction	34,469	35,395	35,899	64,625
Wholesale and Retail Trade, and Restaurants and Hotels	109,039	63,182	75,226	61,552
Transport, Storage and Communication	1,085,463	10,111	1,033,547	13,442
Finance, Insurance/Takaful, Real Estate and Business Activities	125,850	56,918	150,370	53,344
Education, Health and Others	3,868	11,338	3,711	12,804
Household	92,953	733,385	93,111	824,291
Others*	7,994	3,509	4,124	4,117
Total	**1,643,137**	**974,541**	**1,610,822**	**1,100,176**

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

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

(RM'000)	CIMB Bank			
	2017		2016	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,452,683	931,669	1,488,740	1,045,083
Singapore	190,454	37,723	122,082	48,707
Thailand	-	-	-	-
Other Countries	-	5,149	-	6,386
Total	**1,643,137**	**974,541**	**1,610,822**	**1,100,176**

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			
	2017		2016	
	Charges/ (Write Back)	Write-Off	Charges/ (Write Back)	Write-Off
Primary Agriculture	(3,285)	-	(92)	-
Mining and Quarrying	46,484	40	55	-
Manufacturing	(1,000)	57,996	379	8,520
Electricity, Gas and Water Supply	-	1,134	-	-
Construction	6,189	7,913	(6,954)	5,527
Wholesale and Retail Trade, and Restaurants and Hotels	75,313	40,067	8,817	12,263
Transport, Storage and Communication	53,568	-	(3,754)	491
Finance, Insurance/Takaful, Real Estate and Business Activities	1,019	6,798	(9,374)	-
Education, Health and Others	195	49	151	-
Household	71,754	71,056	121,258	20,109
Others*	(4)	-	-	-
Total	**250,233**	**185,053**	**110,486**	**46,910**

**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 2017 and 31 December 2016

(RM'000)	CIMB Bank			
	2017		2016	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	1,610,822	1,100,176	1,543,266	1,110,673
Allowance made during the financial period/year	250,233	375,862	110,486	417,423
Amount transferred to portfolio impairment allowance	-	-	(11,258)	11,258
Allowance (written back)/made and charged to deferred assets	-	-	-	-
Amount written off	(185,053)	(495,914)	(46,910)	(445,595)
Amount transferred from a subsidiary	-	73	-	596
Exchange fluctuation	(32,865)	(5,656)	15,238	5,821
Total	**1,643,137**	**974,541**	**1,610,822**	**1,100,176**

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

2017												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%	37,288,659	-	171,115	-	-	-	-	-	2,542,243	-	40,002,017	-
20%	1,480,348	-	162,755	308,936	3,961	446,675	-	-	-	251,393	2,654,069	530,814
35%	-	-	-	-	-	-	758,120	-	-	-	758,120	265,342
50%	371,296	-	37,560	1,308,875	20,203	28,600	47,589	-	-	-	1,814,122	907,061
75%	-	-	-	-	-	11,601,598	7	-	-	-	11,601,605	8,701,203
100%	0	-	-	290,890	5,272,362	59,021	6,247	-	2,579,529	-	8,208,049	8,208,049
100% < RW < 1250%	-	-	-	-	73,639	18,277	-	1,099,200	-	-	1,191,115	1,786,673
1250%	-	-	-	-	106,484		-	-	-	-	106,484	1,331,051
Total	**39,140,303**	**-**	**371,430**	**1,908,700**	**5,476,649**	**12,154,171**	**811,963**	**1,099,200**	**5,121,772**	**251,393**	**66,335,581**	**21,730,193**
Average Risk Weight	**1%**	**-**	**14%**	**53%**	**123%**	**73%**	**36%**	**150%**	**50%**	**20%**	**33%**	
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)*

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)

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

2017				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	-	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,996,977	77,010	197,678	2,271,665
Corporate	33	-	7,371,043	7,371,076
Sovereign/Central Banks	23,722,339	-	15,417,964	39,140,303
Banks, MDBs and DFIs	371,430	-	-	371,430
Total	**26,090,778**	**77,010**	**22,986,685**	**49,154,473**

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**

CREDIT RISK *(continued)*

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

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

2017				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	251,393	-	-	**251,393**

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**

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 Group Risk 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 Group Risk 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)

<u>PD Calibration</u>

- 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".

<u>EAD Estimation</u>

- 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.

<u>LGD Estimation</u>

- 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 2017 and 31 December 2016:

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

2017				CIMB Bank
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure	**92,188,974**	**14,782,672**	**1,741,731**	**108,713,377**
Residential Mortgage/RRE Financing	48,993,127	6,646,422	1,009,456	56,649,005
QRRE	10,601,659	3,834,676	116,864	14,553,200
Hire Purchase	8,386,351	944,511	158,948	9,489,810
Other Retail	24,207,837	3,357,063	456,463	28,021,362
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	23%	26%	
QRRE	89%	89%	89%	
Hire Purchase	50%	53%	55%	
Other Retail	28%	31%	61%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	14%	76%	174%	
QRRE	28%	129%	307%	
Hire Purchase	51%	89%	167%	
Other Retail	18%	50%	233%	

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)

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

2017				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**95,971,313**	**12,669,440**	**72,624**	**108,713,377**
Residential Mortgage/RRE Financing	53,320,120	3,301,575	27,310	56,649,005
QRRE	8,941,364	5,611,464	372	14,553,200
Hire Purchase	8,389,251	1,098,674	1,886	9,489,810
Other Retail	25,320,579	2,657,727	43,056	28,021,362
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	26%	35%	
QRRE	89%	89%	88%	
Hire Purchase	50%	53%	61%	
Other Retail	28%	39%	74%	

2016				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**92,498,091**	**12,348,178**	**93,115**	**104,939,385**
Residential Mortgage/RRE Financing	50,886,747	2,925,938	49,191	53,861,876
QRRE	7,843,934	5,182,980	1,746	13,028,660
Hire Purchase	9,153,283	1,703,056	1,818	10,858,157
Other Retail	24,614,128	2,536,204	40,359	27,190,692
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	23%	27%	37%	
QRRE	89%	89%	90%	
Hire Purchase	51%	53%	59%	
Other Retail	27%	38%	72%	

Note: Subsequent to the disclosure, there was amendment to the 2016 figures.

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 2017 and 31 December 2016:

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

2017						**CIMB Bank**
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	894,858	1,543,740	36,991	193,198	1,529,512	4,198,299
Object Finance	-	-	-	-	-	-
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	1,906,158	9,694,634	390,245	15,252	42,280	12,048,568
RWA	**1,490,639**	**8,799,591**	**491,322**	**521,125**	**-**	**11,302,677**

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)

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**

CIMB Bank has no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

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

2017					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**36,282,584**	**59,444,876**	**17,902,070**	**2,170,034**	**115,799,564**
Sovereign/Central Banks	-	-	-	-	-
Bank	20,855,336	3,250,843	102,982	-	24,209,160
Corporate (excluding Specialised Lending/ Financing)	15,427,249	56,194,033	17,799,088	2,170,034	91,590,404
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	38%	36%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	43%	40%	34%	41%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	19%	38%	162%	-	
Corporate (excluding Specialised Lending/ Financing)	14%	71%	99%	-	

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)

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)

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
	2017		2016	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017	Regulatory Expected Losses as at 31 December 2015	Actual Losses for the year ended 31 December 2016
Sovereign	-	-	-	-
Bank	11,196	-	6,998	0
Corporate	641,574	111,822	566,641	152,557
Mortgage/RRE Financing	173,131	32,418	160,497	25,593
HPE	116,258	65,213	127,312	86,843
QRRE	415,476	152,246	466,167	184,523
Other Retail	156,997	(11,274)	81,335	(15,352)
Total	**1,514,633**	**350,425**	**1,408,950**	**434,164**

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 2017 and 31 December 2016 there was no requirement for additional collateral to be posted.

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 2017 and 31 December 2016:

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2017				CIMB Bank
(RM '000) Description	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Direct Credit Substitutes	3,703,127		3,703,127	1,759,504
Transaction Related Contingent Items	4,096,614		2,048,307	1,087,793
Short Term Self Liquidating Trade Related Contingencies	2,751,217		550,243	363,840
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	442,865,877	3,021,203	10,024,001	4,678,729
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	25,659,810		23,193,258	7,830,942
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	30,024		22,524	14,829
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	66,216,285		-	-
Unutilised credit card lines	28,946,058		7,967,374	2,965,969
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**574,269,012**	**3,021,203**	**47,508,834**	**18,701,606**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

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

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			
	2017		2016	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	1,480,167	1,201,715	3,016,624	3,162,680
Client Intermediation Activities	25,000	236,930	130,900	410,210
Total	**1,505,167**	**1,438,645**	**3,147,524**	**3,572,890**
Credit Default Swaps	1,480,167	1,234,668	3,120,374	3,370,180
Total Return Swaps	25,000	203,978	27,150	202,710
Total	**1,505,167**	**1,438,645**	**3,147,524**	**3,572,890**

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, must 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 2017 and 31 December 2016:

Table 24: Disclosure on Credit Risk Mitigation

2017				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	39,140,303	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs & MDBs	24,580,590	-	4,089,059	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	2,271,665	2,500	362,964	-
Corporate	111,358,747	2,764,939	10,050,193	12,483,596
Residential Mortgages/RRE Financing	56,766,488	-	2,509	-
Qualifying Revolving Retail	14,436,796	-	-	-
Hire Purchase	9,330,863	-	-	-
Other Retail	48,721,669	446,675	9,013,420	-
Securitisation	251,393	-	-	-
Higher Risk Assets	1,099,200	-	-	-
Other Assets	5,121,772	-	-	-
Defaulted Exposures	2,827,664	-	134,036	302,748
Total Exposures	**315,907,150**	**3,214,115**	**23,652,182**	**12,786,344**

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)

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.

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-2017, 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 2017

On 31 March 2017, CIMB Bank undertook a securitisation of its auto hire purchase receivables raising RM880 million.

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 2017 and 31 December 2016:

Table 25: Disclosure on Securitisation for Trading and Banking Book

2017 (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	983,471	90,975	1,831	(425)

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	-	-	-	-

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

2017												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	237,625	-	-	-	237,625	-	-	-	-			47,525
Mezzanine	13,769	-	-	-	13,769	-	-	-	-			2,754
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)

2017													**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	**251,393**	**-**	**-**	**-**	**251,393**	**-**	**-**	**-**	**-**	**-**	**-**	**50,279**

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	
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
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)*

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

2017	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)

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					
<u>Originated by Third Party</u>					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
<u>Originated by Banking Institution</u>					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
<u>Securitisation subject to Early Amortisation</u>					
<u>Seller's interest</u>					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
<u>Investor's interest</u>					
On-Balance Sheet	-	-	-	-	-
Off-Balance Sheet	-	-	-	-	-
Sub-total	-	-	-	-	-
TOTAL (TRADITIONAL SECURITISATION)	**-**	**-**	**-**	**-**	**-**

MARKET RISK

Market risk is defined as any fluctuation in the market value of a trading or investment 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 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, are responsible for measuring and controlling 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.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out on held for trading and available-for-sale positions on a daily basis in compliance with the independent price verification requirements. This valuation methodology is applied to restate the security value to its current value for the purpose of calculating the profits and losses or to confirm that margins requirements are being met.

Treasury products approval processes shall be coordinated by the Market Risk CoE to ensure operational readiness before launching. The proposed new products are assessed to ensure financial risks are accurately identified, monitored and effectively managed.

The valuation methods and models used are validated by the quantitative analysts to assess their applicability relative to market conditions. The process includes verification of the inputs, assumptions used, programming codes and model reporting capability. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

Our Group adopts the VaR methodology as an approach in the measurement of market risk. Backtesting is performed to validate and reassess the accuracy of the existing VaR model. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Back-testing involves the comparison of the daily model-generated VaR against the actual or hypothetical profit or loss data over the corresponding period.

Stress testing is conducted to complement VaR to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

Market Risk CoE undertakes the monitoring and oversight process on treasury activities, which include monitoring limits utilisation, reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices. All approved market risk limits are monitored on daily basis. Any excess in limit will be escalated to management in accordance with the exception management procedures.

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 for capital purpose 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:
    - Operational Event and Loss Data Management;

OPERATIONAL RISK *(continued)*

Operational Risk Management Approach (continued)

- Risk Control Self-Assessment;
- Control Issue Management;
- New Product Approval Process; and
- Scenario Analysis

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 is 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 program. 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 2017 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 2017 and 31 December 2016 is as follows:

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

(RM'000)	CIMB Bank	
	2017	2016
Realised (loss)/gains		
Shares, private equity funds and unit trusts	(727)	20,202
Unrealised gains		
Shares, private equity funds and unit trusts	778,716	706,815

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2017 and 31 December 2016:

Table 29: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2017		2016	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,099,200	1,648,800	1,228,265	1,842,397
Publicly traded	-	-	0	0
Total	**1,099,200**	**1,648,800**	**1,228,265**	**1,842,397**

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. The GALCO is a Board delegated committee which reports to the GRC. With the support from ALM COE under Group Risk, 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:

  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	
	2017	2016
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	(735,723)	(836,560)
US Dollar	(4,745)	(109,342)
Thai Baht	(9)	(11)
Singapore Dollar	(164,864)	(148,721)
Others	16,554	60,416
Total	**(888,787)**	**(1,034,218)**

- 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. Our Group's EAR is taking into consideration forecasts on budgeted, new business generation and product pricing strategies.

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	
	2017	2016
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	308,970	189,934
US Dollar	(90,499)	(120,262)
Thai Baht	218	261
Singapore Dollar	(34,017)	(49,376)
Others	16,407	23,546
Total	**201,079**	**44,103**

[END OF SECTION]