Basel II Pillar 3 Disclosure for 2018

- **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
BRCC	:	Board Risk & Compliance 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	:	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
GRCC	: Group Risk & Compliance 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 2018 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 2018.

The basis of consolidation for financial accounting purposes is described in the 2018 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 2018 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 2018 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.

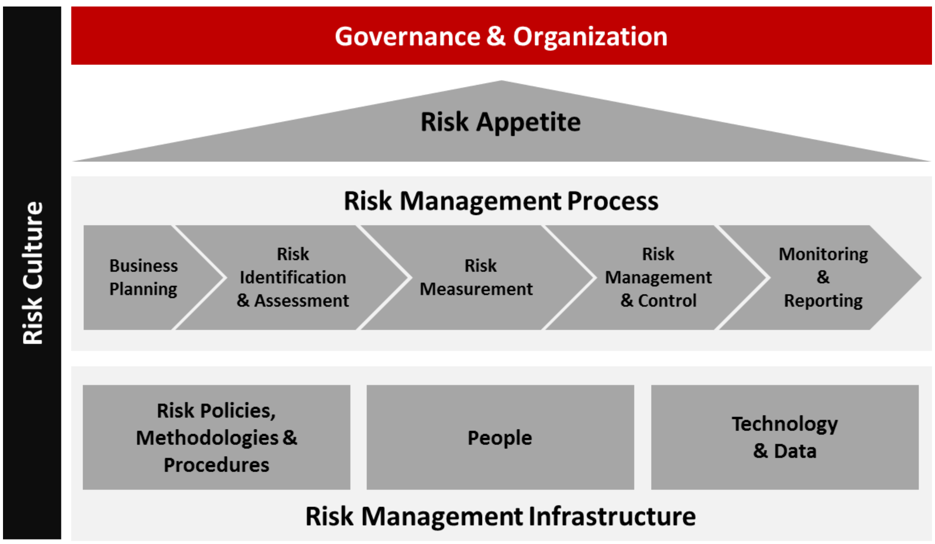
Generally, the objectives of our risk management activities are to:

- 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 sound risk management framework.

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 tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the 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) **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 Defence approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

b) **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.

c) **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.

d) **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 & Assessment : Risks are systematically identified and assessed through the robust application of the Group's risk policies, methodologies/standards and procedures/process guides.
   - Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
   - Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
   - Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

e) **Risk Management Infrastructure**
   - Risk Policies, Methodologies/Standards and Procedures/Process Guides: Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures/Process Guide provide more detailed guidance to assist with the implementation of policies.
   - People: Attracting the right talent and skillset is 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.

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 BRCC 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 BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the EWRM framework, provides strategic guidance and reviews the decisions of our GRCC.

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

The responsibility of supervising risk management functions is delegated to our GRCC, comprised of senior management and reports directly to our BRCC. Our GRCC 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 GRCC 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 value of the trading or investment exposure resulting from movements in 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 obligor or market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the 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 earnings and economic value arising from movements in interest rates;

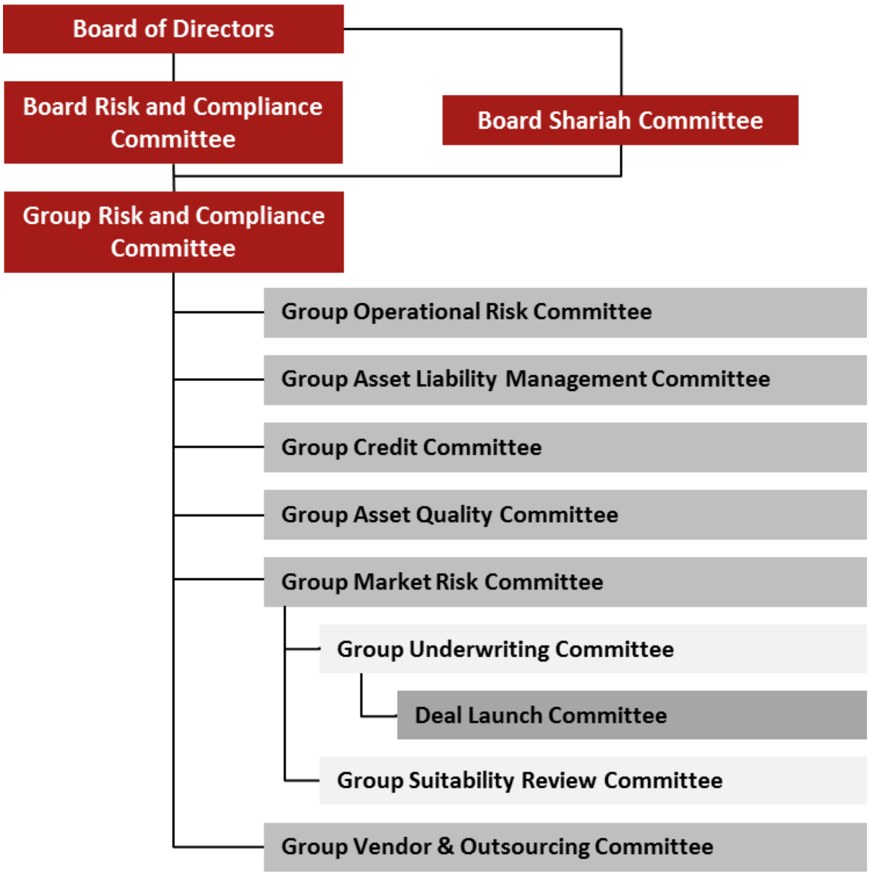
(vi) Capital risk, arising from the failure to meet minimum regulatory and internal requirements which could incur regulatory sanction on our Group, thereby resulting in a potential capital charge; and

(vii) SNC risk, arising from risk of possible failure to comply with the Shariah requirements determined by the Shariah Advisory Council ("SAC") of BNM and Securities Commission ("SC"), Board Shariah Committee ("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 as regulators allow. This structure increases regional communication regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing our Board with a comprehensive view of the activities within our Group.

Three-Lines of Defence

Our Group's risk management culture is embodied through the adoption of the Three-Lines of Defence philosophy 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 business units. As a first line of defence, the line management (including key business pillars and enablers) 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 and performs independent monitoring of business activities and reporting to management to ensure that our Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line of defence is Group Internal Audit Division which provides independent assurance of the adequacy and effectiveness of the internal controls and risk management activities processes.

RISK MANAGEMENT OVERVIEW *(continued)*

The Roles of Group 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 risk exposures within the Board-approved risk appetite statement.

GRD is headed by the Group CRO, 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; and
b) maintains an oversight on risk management functions across all entities within our Group. In each key country of operation, there is a local CRO 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 organisational structure of GRD is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

(a) CRO

(i) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
(ii) The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(b) Risk Centres of Excellence

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
(ii) The Risk CoEs consist of Risk Analytics & Infrastructure, Market Risk, Operational Risk (including Shariah Risk Management), Asset Liability Management and Credit Risk CoEs.

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

- 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.

- 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 and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

In October 2018, the Shariah Risk Management ("SRM") CoE has been integrated with the Operational Risk CoE. The SRM unit facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

- 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.

- 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/standards and procedures/process guides, credit risk models, underwriting and portfolio analytics.

In addition to the above Risk CoEs, there is also Group Data Governance CoE within Group Risk that formulates the Data Governance and Data Management framework, policy and procedures. It ensures standardization and consistency of data governance and data management structure, methodology and data governance model across the Group and for country adoption.

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 a risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are 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 Berhad 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 Berhad.

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 Advisory & Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Internal Audit respectively.

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 Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Internal Audit Division respectively.

Shariah non-compliance income during the year

During the year ended 31 December 2018, there was no SNC income.

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

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

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

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

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

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.

On 2 February 2018, BNM issued an updated Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework (Capital Components). The framework has been updated to incorporate the revised definition of General Provisions and Specific Provisions arising from the implementation of MFRS 9 Financial Instruments.

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

On 2 February 2018, BNM issued an updated Capital Adequacy Framework for Islamic Banks (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Capital Components). The framework has been updated to incorporate the revised definition of General Provisions and Specific Provisions arising from the implementation of MFRS 9 Financial Instruments.

The risk weighted assets of the CIMB Bank Group (other than CIMB Thai Bank and CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The risk-weighted assets of CIMB Investment Bank Group are computed in accordance with Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II - Risk Weighted Assets).

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	
	2018	2017
Common Equity Tier 1 capital		
Ordinary shares	20,088,345	17,610,939
Other reserves	13,363,305	13,904,088
Less Proposed dividend	(1,135,854)	(1,627,553)
Common Equity Tier 1 capital before regulatory adjustments	**32,315,796**	**29,887,474**
Less: Regulatory adjustments		
Goodwill	(3,555,075)	(3,555,075)
Intangible assets	(830,487)	(832,713)
Deferred tax assets	(552,391)	(157,309)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(5,856,416)	(4,260,702)
Deductions in excess of Tier 2 capital	-	-
Shortfall in eligible provisions to expected losses	-	-
Regulatory reserve	(1,197,301)	(1,208,956)
Others	(2,182)	(276,973)
Common equity Tier 1 capital after regulatory adjustments	**20,321,944**	**19,595,746**
Additional Tier 1 capital		
Perpetual preference shares	200,000	200,000
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	(225,956)	(178,641)
Additional Tier 1 capital after regulatory adjustments	**2,374,044**	**2,421,359**
Total Tier 1 capital	**22,695,988**	**22,017,105**
Tier 2 Capital		
Subordinated notes	7,900,000	7,050,000
Redeemable preference shares	29,740	29,740
Surplus eligible provisions over expected loss	708,469	267,987
General provisions	271,282	254,766
Tier 2 capital before regulatory adjustments	**8,909,491**	**7,602,493**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

(RM'000)	**CIMB Bank**	
	2018	**2017**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(1,112,125)	(1,911,008)
Total Tier 2 Capital	**7,797,366**	**5,691,485**
Total Capital Base	**30,493,354**	**27,708,590**
RWA		
Credit risk	139,780,748	138,811,146
Market risk	10,773,681	11,050,726
Operational risk	14,727,726	14,330,500
Large Exposure risk requirement	881,647	768,600
Total RWA	**166,163,802**	**164,960,972**
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	12.914%	12.866%
Tier 1 ratio	14.342%	14.333%
Total capital ratio	19.035%	17.784%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	12.230%	11.879%
Tier 1 ratio	13.659%	13.347%
Total capital ratio	18.351%	16.797%

The Total Capital ratio increased in 2018 compared to 2017 primarily due to increased Total Capital mainly due to (i) higher retained earnings; (ii) higher paid-up capital and share premium arising from the reinvestment of cash dividend surplus from CIMB Group's 11th and 12th Dividend Reinvestment Scheme ("DRS"); (iii) issuance of RM700 mil 10 years non-callable 5 years Tier 2 Subordinated debt and RM1.2 billion 11 years non-callable 6 years Tier 2 Subordinated debt to CIMB Group Holdings Berhad; and (iv) redemption of RM750 million Tier 2 Subordinated debt and RM300 million Tier 2 Subordinated debt during the year. The increase in credit RWA was mainly contributed by increased corporate RWA but offset by decreased retail 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

2018					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	36,517,277	36,517,277	134,452	134,452	10,756
Public Sector Entities	4,340,505	4,037,923	7,585	7,585	607
Banks, DFIs & MDBs	171,971	171,971	42,619	42,619	3,409
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,904,510	1,900,559	1,039,914	1,039,914	83,193
Corporate	10,164,004	5,968,911	7,154,740	7,154,740	572,379
Regulatory Retail	12,850,138	11,446,562	8,333,863	8,333,863	666,709
Residential Mortgages/RRE Financing	923,451	920,992	342,430	342,430	27,394
Higher Risk Assets	1,101,480	1,101,480	1,652,220	1,652,220	132,178
Other Assets	5,817,562	5,817,562	2,945,228	2,945,228	235,618
Securitisation	247,513	247,513	49,503	49,503	3,960
Total for SA	**74,038,413**	**68,130,750**	**21,702,554**	**21,702,554**	**1,736,204**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	20,525,996	20,525,996	5,728,807	5,728,807	458,305
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	110,280,992	110,280,992	75,786,481	75,786,481	6,062,918
Residential Mortgages/RRE Financing	59,546,776	59,546,776	11,521,839	11,521,839	921,747
Qualifying Revolving Retail	12,923,586	12,923,586	7,661,666	7,661,666	612,933
Hire Purchase	8,561,254	8,561,254	4,841,302	4,841,302	387,304
Other Retail	32,779,519	32,779,519	5,854,428	5,854,428	468,354
Securitisation	-	-	-	-	-
Total for IRB Approach	**244,618,123**	**244,618,123**	**111,394,523**	**111,394,523**	**8,911,562**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**318,656,536**	**312,748,874**	**139,780,748**	**139,780,748**	**11,182,460**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2018					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	**881,647**	**881,647**	**881,647**	**881,647**	**70,532**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			7,380,753	7,380,753	590,460
Foreign Currency Risk			748,365	748,365	59,869
Equity Risk			521,180	521,180	41,694
Commodity Risk			1,595,968	1,595,968	127,677
Options Risk			527,415	527,415	42,193
Total Market Risk			**10,773,681**	**10,773,681**	**861,895**
Operational Risk (BIA)			**14,727,726**	**14,727,726**	**1,178,218**
Total RWA and Capital Requirement			**166,163,802**	**166,163,802**	**13,293,104**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

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)*

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%**
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)*

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 BRCC for approval and the Board for notification.

CREDIT RISK

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the 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 clients' obligations to third parties, e.g. guarantees or kafalah contracts.

In derivatives, sales and trading activities, credit risk arises from the possibility that our Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

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 and Group Risk as a function independent from the business units is the second line of defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to specific individuals.

Our Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authority 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 GRCC 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 reviewing and analysing portfolio trends, asset quality, watch-list and policy. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits 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. 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 GRCC and BRCC. Asset quality is closely monitored 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

2018					**CIMB Bank**
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
Sovereign	32,679,363	3,704,695	-	133,219	36,517,277
PSE	4,340,505	-	-	-	4,340,505
Bank	16,347,269	2,982,962	-	1,367,735	20,697,967
Corporate	86,520,349	31,206,124	-	4,623,034	122,349,507
Mortgage/RRE Financing	55,390,387	4,808,553	-	271,287	60,470,227
HPE	8,561,254	-	-	-	8,561,254
QRRE	10,307,840	2,615,746	-	-	12,923,586
Other Retail	43,381,406	2,246,890	-	1,362	45,629,658
Other Exposures	6,359,105	406,593	-	400,857	7,166,555
Total Gross Credit Exposure	**263,887,478**	**47,971,564**	**-**	**6,797,494**	**318,656,536**

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**

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

2018												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	201,135	-	-	894,052	2,212,408	-	2,899,126	9,246,085	20,953,167	-	111,305	36,517,277
PSE	2,817	-	-	-	-	-	50	274	4,337,036	-	328	4,340,505
Bank	-	-	-	-	-	-	-	20,697,967	-	-	-	20,697,967
Corporate	6,424,210	7,046,438	8,406,110	6,570,715	12,361,219	15,573,597	11,750,256	35,422,328	10,167,153	6,524,139	2,103,341	122,349,507
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	60,470,227	-	60,470,227
HPE	-	-	-	-	-	-	-	-	-	8,561,254	-	8,561,254
QRRE	-	-	-	-	-	-	-	-	-	12,923,586	-	12,923,586
Other Retail	169,503	51,492	1,008,592	18,087	722,817	1,878,385	272,449	2,353,625	565,186	38,589,521	-	45,629,658
Other Exposures	-	-	-	-	-	-	-	1,276,879	72,114	-	5,817,562	7,166,555
Total Gross Credit Exposure	**6,797,665**	**7,097,929**	**9,414,702**	**7,482,854**	**15,296,444**	**17,451,983**	**14,921,882**	**68,997,158**	**36,094,655**	**127,068,727**	**8,032,537**	**318,656,536**

**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)*

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)

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

2018				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	13,517,134	8,666,676	14,333,467	36,517,277
PSE	302,900	5,204	4,032,402	4,340,505
Bank	13,565,275	6,383,521	749,170	20,697,967
Corporate	47,455,903	41,457,758	33,435,846	122,349,507
Mortgage/RRE Financing	32,412	596,218	59,841,598	60,470,227
HPE	69,324	3,929,935	4,561,996	8,561,254
QRRE	12,923,586	-	-	12,923,586
Other Retail	2,143,313	2,780,098	40,706,247	45,629,658
Other Exposures	35,112	183,842	6,947,602	7,166,555
Total Gross Credit Exposure	**90,044,958**	**64,003,251**	**164,608,327**	**318,656,536**

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**

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 2018 and 31 December 2017 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	
	2018	2017
Primary Agriculture	24,516	19,016
Mining and Quarrying	13,211	6,247
Manufacturing	71,801	54,896
Electricity, Gas and Water Supply	171	4,303
Construction	88,427	74,312
Wholesale and Retail Trade, and Restaurants and Hotels	224,179	184,230
Transport, Storage and Communication	33,655	39,146
Finance, Insurance/Takaful, Real Estate and Business Activities	240,142	237,652
Education, Health and Others	105,929	96,296
Household	8,007,840	8,299,850
Others*	8,253	7,129
Total	**8,818,124**	**9,023,077**

**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	
	2018	2017
Malaysia	8,334,133	8,833,948
Singapore	346,491	189,023
Thailand	-	-
Other Countries	137,500	106
Total	**8,818,124**	**9,023,077**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

i) Credit Impaired/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 2018 and 31 December 2017 which were credit impaired/impaired by sector and geographical respectively:

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing *(continued)*

Table 8: Credit Impaired/Impaired Loans, Advances and Financing by Sector

(RM'000)	CIMB Bank	
	2018	2017
Primary Agriculture	52,576	41,550
Mining and Quarrying	1,003,220	620,835
Manufacturing	162,985	158,120
Electricity, Gas and Water Supply	726	552
Construction	140,463	117,424
Wholesale and Retail Trade, and Restaurants and Hotels	230,463	372,890
Transport, Storage and Communication	1,054,174	1,191,740
Finance, Insurance/Takaful, Real Estate and Business Activities	239,652	182,639
Education, Health and Others	100,631	103,827
Household	1,142,120	1,136,288
Others*	7,541	4,693
Total	**4,134,551**	**3,930,558**

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

Note: Subsequent to the disclosure, there were amendments to the 2017 figures.

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

(RM'000)	CIMB Bank	
	2018	2017
Malaysia	3,093,067	3,117,173
Singapore	676,323	810,822
Thailand	-	-
Other Countries	365,161	2,563
Total	**4,134,551**	**3,930,558**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing *(continued)*

Table 10: Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Sector

(RM'000)	CIMB Bank				
	2018				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Purchased credit impaired	Total
Primary Agriculture	26,420	6,102	31,549	-	64,071
Mining and Quarrying	8,522	4,694	201,290	-	214,506
Manufacturing	41,166	58,875	115,535	-	215,576
Electricity, Gas and Water Supply	6,862	3,071	488	-	10,421
Construction	25,599	20,384	70,190	-	116,173
Wholesale and Retail Trade, and Restaurants and Hotels	70,744	40,294	97,444	-	208,482
Transport, Storage and Communications	19,092	7,730	1,025,433	-	1,052,255
Finance, Insurance/Takaful, Real Estate and Business Activities	97,657	35,763	155,061	-	288,481
Education, Health and Others	13,405	12,089	5,634	-	31,128
Household	441,329	226,796	491,117	-	1,159,242
Others*	8,606	27,695	5,875	-	42,176
Total	**759,402**	**443,493**	**2,199,616**	**-**	**3,402,511**

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

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing *(continued)*

Table 10: Individual Impairment and Portfolio Impairment Allowances by Sector

(RM'000)	CIMB Bank	
	2017	
	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	27,352	12,163
Mining and Quarrying	77,397	8,037
Manufacturing	78,752	39,210
Electricity, Gas and Water Supply	-	1,293
Construction	34,469	35,395
Wholesale and Retail Trade, and Restaurants and Hotels	109,039	63,182
Transport, Storage and Communication	1,085,463	10,111
Finance, Insurance/ Takaful, Real Estate and Business Activities	125,850	56,918
Education, Health and Others	3,868	11,338
Household	92,953	733,385
Others*	7,994	3,509
Total	**1,643,137**	**974,541**

Table 11: Expected Credit Losses (Stage 1, 2 and 3, and Purchased Credit Impaired) by Geographic Distribution

(RM'000)	CIMB Bank				
	2018				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses –credit impaired (Stage 3	Purchased credit impaired	Total
Malaysia	553,468	369,092	1,735,541	-	2,658,101
Singapore	149,604	70,471	262,303	-	482,378
Thailand	30,172	-	-	-	30,172
Other Countries	26,158	3,930	201,772	-	231,860
Total	**759,402**	**443,493**	**2,199,616**	**-**	**3,402,511**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing *(continued)*

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

(RM'000)	CIMB Bank	
	2017	
	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,452,683	931,669
Singapore	190,454	37,723
Thailand	-	-
Other Countries	-	5,149
Total	**1,643,137**	**974,541**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances &Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing (continued)

Table 12: Expected Credit Losses Charges/(Write back) and Write-off for Stage 3 and Purchased Credit Impaired

(RM'000)	CIMB Bank			
	2018			
	Charges/(write back)		Write-off	
	Lifetime expected credit losses - Credit impaired (Stage 3)	Purchased credit impaired	Lifetime expected credit losses - Credit impaired (Stage 3)	Purchased credit impaired
Primary Agriculture	2,419	-	3,343	-
Mining and Quarrying	58,555	-	2,947	-
Manufacturing	35,427	-	25,596	-
Electricity, Gas and Water Supply	148	-	22	-
Construction	17,930	-	6,473	-
Wholesale and Retail Trade, and Restaurants and Hotels	(29,903)	-	34,106	-
Transport, Storage and Communications	12,033	-	2,697	-
Finance, Insurance/Takaful, Real Estate and Business Activities	6,738	-	5,965	-
Education, Health and Others	1,318	-	2,199	-
Household	521,726	-	497,669	-
Others*	12,407	-	838	-
Total	**638,798**	**-**	**581,855**	**-**

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

CREDIT RISK (continued)

Credit Quality of Loans, Advances &Financing (continued)

ii) Credit Impaired/Impaired Loans/ Financing (continued)

Table 12 Charges for Individual Impairment Provision and Write Offs

(RM'000)	CIMB Bank	
	2017	
	Charges/Write Back	Write-Off
Primary Agriculture	(3,285)	-
Mining and Quarrying	46,484	40
Manufacturing	(1,000)	57,996
Electricity, Gas and Water Supply	-	1,134
Construction	6,189	7,913
Wholesale and Retail Trade, and Restaurants and Hotels	75,313	40,067
Transport, Storage and Communication	53,568	-
Finance, Insurance/ Takaful, Real Estate and Business Activities	1,019	6,798
Education, Health and Others	195	49
Household	71,754	71,056
Others*	(4)	-
Total	**250,233**	**185,053**

**Others are exposures which are not elsewhere classified*

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired/Impaired Loans/Financings (continued)

Table 13: Analysis of Movement in the Expected Credit Losses for Loans, Advances and Financing

(RM'000)	CIMB Bank				
	2018				
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - Credit impaired (Stage 3)	Purchased credit impaired	Total
At 1 January 2018	-	-	-	-	-
Effect of adopting MFRS 9	702,566	478,824	2,239,192	-	3,420,582
Adjusted 1 January 2018	702,566	478,824	2,239,192	-	3,420,582
Changes in expected credit losses due to transferred within stages	630,749	(496,364)	(134,835)	-	-
Transferred to Stage 1	883,127	(683,135)	(199,992)	-	-
Transferred to Stage 2	(202,020)	449,963	(247,943)	-	-
Transferred to Stage 3	(50,358)	(263,192)	313,550	-	-
Total charge to Income Statement	(573,492)	455,651	638,798	-	520,957
New financial assets originated	339,194	1,228	24,879	-	365,301
Financial assets that have been derecognised	(251,885)	(66,123)	-	-	(318,008)
Write back in respect of full recoveries	-	-	(37,808)	-	(37,808)
Change in credit risk	(660,801)	520,546	651,727	-	511,472
Write-offs	(706)	(99)	(581,855)	-	(582,660)
Exchange fluctuation	1,208	206	2,264	-	3,678
Transfer from related companies	49	51	792	-	892
Other movements	(973)	5,224	34,811	-	39,062
Total	**759,401**	**443,493**	**2,199,617**	**-**	**3,402,511**

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances and Financing (continued)

ii) Credit Impaired/Impaired Loans/Financings (continued)

Table 13: Analysis of Movement for Loan/Financing Impairment Allowances

(RM'000)	CIMB Bank	
	2017	
	Individual Impairment Allowance	Portfolio Impairment Allowance
At 1 January 2017	1,610,822	1,100,176
Allowance made during the financial year	250,233	375,862
Amount transferred to portfolio impairment allowance	-	-
Amount written back in respect of recoveries	-	-
Allowance made and charged to deferred assets	-	-
Allowance made in relation to jointly controlled entity	-	-
Amount written off	(185,053)	(495,914)
Transfer(to)/from intercompany	-	73
Disposal of subsidiary	-	-
Unwinding income	-	-
Exchange fluctuation	(32,865)	(5,656)
Total	**1,643,137**	**974,541**

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

2018												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%	36,248,372	-	-	-	-	2,420	-	-	2,872,334	-	39,123,127	-
20%	-	37,923	144,556	409,874	3,579	483,580	-	-	-	247,513	1,327,025	265,405
35%	-	-	-	-	-	-	843,120	-	-	-	843,120	295,092
50%	268,905	-	27,415	1,065,492	116,816	8,866	61,067	-	-	-	1,548,561	774,281
75%	-	-	-	-	-	10,884,470	-	-	-	-	10,884,470	8,163,353
100%	-	-	-	425,193	5,645,549	62,953	16,805	-	2,945,228	-	9,095,729	9,095,729
100% < RW < 1250%	-	-	-	-	98,819	4,272	-	1,101,480	-	-	1,204,571	1,806,856
1250%	-	-	-	-	104,147	-	-	-	-	-	104,147	1,301,838
Total	**36,517,277**	**37,923**	**171,971**	**1,900,559**	**5,968,911**	**11,446,562**	**920,992**	**1,101,480**	**5,817,562**	**247,513**	**64,130,750**	**21,702,553**
Average Risk Weight	**0%**	**20%**	**25%**	**55%**	**120%**	**73%**	**37%**	**150%**	**51%**	**20%**	**34%**	
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)*

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)

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

2018				CIMB Bank
(RM '000) Exposure Class	**Investment Grade**	**Non-Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	4,340,505	4,340,505
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,488,365	-	416,144	1,904,510
Corporate	3,367	-	10,160,638	10,164,004
Sovereign/Central Banks	22,187,017	-	14,330,260	36,517,277
Banks, MDBs and DFIs	171,971	-	-	171,971
Total	**23,850,720**	**-**	**29,247,548**	**53,098,268**

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**

CREDIT RISK *(continued)*

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

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

2018				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	247,513	-	-	**247,513**

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**

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 one of the tools used to assist the approving committees in making informed decisions of the credit application.

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 GRCC and subsequently BRCC. After implementation, the models are subject to regular performance monitoring to ensure that they continue to perform as expected and the risk parameters remain appropriate.

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

Retail Exposures

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

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

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

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

CREDIT RISK *(continued)*

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

Retail Exposures (continued)

PD Calibration

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

EAD Estimation

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

LGD Estimation

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

2018				CIMB Bank
(RM'000) PD Range of Retail Exposures	0% ≤ PD < 2%	2% ≤ PD < 100%	100% Or Default	Total
Total Retail Exposure	**92,192,122**	**19,941,386**	**1,677,628**	**113,811,136**
Residential Mortgage/RRE Financing	52,730,061	5,684,615	1,132,100	59,546,776
QRRE	9,345,955	3,466,110	111,521	12,923,586
Hire Purchase	7,341,794	1,106,810	112,650	8,561,254
Other Retail	22,774,313	9,683,850	321,356	32,779,519
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	21%	27%	
QRRE	89%	89%	89%	
Hire Purchase	50%	52%	55%	
Other Retail	25%	12%	55%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	10%	68%	192%	
QRRE	29%	137%	222%	
Hire Purchase	50%	85%	185%	
Other Retail	16%	19%	114%	

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)

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

2018				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**102,191,956**	**11,405,955**	**213,225**	**113,811,136**
Residential Mortgage/RRE Financing	56,951,635	2,533,510	61,631	59,546,776
QRRE	7,782,532	5,138,753	2,301	12,923,586
Hire Purchase	7,348,697	1,206,655	5,902	8,561,254
Other Retail	30,109,091	2,527,037	143,391	32,779,519
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	25%	40%	
QRRE	89%	89%	90%	
Hire Purchase	50%	52%	54%	
Other Retail	21%	24%	88%	

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%	

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 2018 and 31 December 2017:

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

2018						CIMB Bank
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	852,032	2,367,903	42,529	225,388	1,602,104	5,089,957
Object Finance	-	-	-	-	-	-
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	1,578,315	10,742,738	592,488	167,070	88,270	13,168,881
RWA	**1,279,316**	**10,154,381**	**730,269**	**981,145**	**-**	**13,145,111**

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)

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**

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

2018					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**31,841,854**	**57,456,848**	**20,961,763**	**2,287,685**	**112,548,150**
Sovereign/Central Banks	-	-	-	-	-
Bank	14,017,811	6,266,253	241,932	-	20,525,996
Corporate (excluding Specialised Lending/ Financing)	17,824,043	51,190,596	20,719,831	2,287,685	92,022,154
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	43%	44%	45%	-	
Corporate (excluding Specialised Lending/ Financing)	45%	41%	35%	43%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	20%	40%	147%	-	
Corporate (excluding Specialised Lending/ Financing)	18%	73%	106%	-	

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)

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%	-*	
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%	-	

**Note: Subsequent to the disclosure, there was amendment to the 2017 figures.*

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
(RM'000)	2018		2017	
Exposure Class	Regulatory Expected Losses as at 31 December 2017	Actual Losses for the year ended 31 December 2018	Regulatory Expected Losses as at 31 December 2016	Actual Losses for the year ended 31 December 2017
Sovereign	-	-	-	-
Bank	11,042	0	11,196	-
Corporate	636,806	(18,842)	641,574	111,822
Mortgage/RRE Financing	192,390	73,717	173,131	32,418
HPE	92,091	147,988	116,258	65,213
RRE	401,794	143,771	415,476	152,246
Other Retail	146,403	29,544	156,997	(11,274)
Total	**1,480,526**	**376,177**	**1,514,633**	**350,425**

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 2018 and 31 December 2017 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 2018 and 31 December 2017:

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2018				CIMB Bank
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	2,946,238		2,946,238	1,814,841
Transaction Related Contingent Items	4,381,626		2,190,813	1,291,041
Short Term Self Liquidating Trade Related Contingencies	2,179,143		435,829	222,600
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	487,231		487,231	36,342
Foreign Exchange Related Contracts				
One year or less	19,792,574	107,965	297,807	215,765
Over one year to five years	158,313	3,452	12,362	16,142
Over five years	-	-	-	-
Interest/Profit Rate Related Contracts				
One year or less	1,913,634	146,818	167,268	181,323
Over one year to five years	3,311,911	82,858	183,095	174,810
Over five years	610,752	36,116	87,609	61,645
Equity Related Contracts				
One year or less	78,109	560	5,247	4,233
Over one year to five years	205,176	52,849	69,263	98,036
Over five years	-	-	-	-
Commodity Contracts				
One year or less	4,790	386	865	811
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	476,510,089	2,647,709	9,243,011	4,046,761

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2018				CIMB Bank
(RM '000) **Description**	**Principal Amount**	**Positive Fair Value of Derivative Contracts**	**Credit Equivalent Amount**	**Risk-Weighted Assets**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	26,522,072		23,649,820	7,538,136
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	372,375		279,281	120,667
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	83,048,249		-	-
Unutilised credit card lines	24,563,660		6,418,339	2,864,448
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**647,085,943**	**3,078,713**	**46,474,078**	**18,687,602**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

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

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

(RM'000)	CIMB Bank			
	2018		2017	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	1,195,917	1,770,420	1,480,167	1,201,715
Client Intermediation Activities	20,750	228,040	25,000	236,930
Total	**1,216,667**	**1,998,460**	**1,505,167**	**1,438,645**
Credit Default Swaps	1,195,917	1,644,309	1,480,167	1,234,668
Total Return Swaps	20,750	354,151	25,000	203,978
Total	**1,216,667**	**1,998,460**	**1,505,167**	**1,438,645**

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 are 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, 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 foreign exchange and derivative transactions, our Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greatest legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

Our Group avoids unwanted credit or market risk concentrations by diversifying our 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 2018 and 31 December 2017:

Table 24: Disclosure on Credit Risk Mitigation

2018				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	36,517,277	-	-	-
Public Sector Entities	4,340,505	4,000,000	302,582	-
Banks, DFIs & MDBs	20,697,967	-	891,288	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,904,510	-	3,951	-
Corporate	116,343,436	1,637,233	10,712,928	12,778,178
Residential Mortgages/RRE Financing	59,789,710	-	2,459	-
Qualifying Revolving Retail	12,818,580	-	-	-
Hire Purchase	8,448,604	-	-	-
Other Retail	45,349,912	486,000	1,403,512	-
Securitisation	247,513	-	-	-
Higher Risk Assets	1,101,480	-	-	-
Other Assets	5,817,562	-	-	-
Defaulted Exposures	2,352,045	72	56,774	283,617
Total Exposures	**315,729,099**	**6,123,305**	**13,373,494**	**13,061,795**

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)

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.

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 a means of diversifying funding source, 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)

Disclosure on Securitisation for Trading and Banking Book

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2018 and 31 December 2017:

Table 25: Disclosure on Securitisation for Trading and Banking Book

2018 (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	684,242	23,839	3,858	(4,290)

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)

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

2018												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	236,372	-	-	-	236,372	-	-	-	-			47,274
Mezzanine	11,141	-	-	-	11,141	-	-	-	-			2,228
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)

2018													CIMB Bank
(RM'000) Exposure Class	Net Exposure After CRM	Exposures subject to deduction	Distribution of Exposures after CRM according to Applicable Risk Weights										Risk-Weighted Assets
			Rated Securitisation Exposures							Unrated (Look Through)			
			0%	10%	20%	50%	100%	350%	1250%	Weighted Average RW	Exposure Amount		
<u>Originating Banking Institution</u>													
On-Balance Sheet													
Most senior	-	-	-	-	-	-	-	-	-			-
Mezzanine	-	-	-	-	-	-	-	-	-			-
First loss	-	-	-	-	-	-	-	-	-			-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-	-			-
Unrated eligible liquidity facilities (with original maturity > 1 year)	-	-			-	-	-	-	-	-	-	-
Unrated eligible liquidity facilities (with original maturity < 1 year)	-	-			-	-	-	-	-			-
Eligible servicer cash advance facilities	-	-			-	-	-	-	-			-
Eligible underwriting facilities	-	-			-	-	-	-	-			-
Guarantees and credit derivatives	-	-			-	-	-	-	-			-
Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives)	-	-			-	-	-	-	-			-
Total Exposures	**247,513**	**-**	**-**	**-**	**247,513**	**-**	**-**	**-**	**-**	**-**	**-**	**49,503**

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 – Rated Securitisation Exposures: 0%	10%	20%	50%	100%	350%	1250%	Unrated (Look Through): Weighted Average RW	Exposure Amount	Risk-Weighted Assets
Traditional Securitisation (Banking Book)												
Non-originating Banking Institution												
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)*

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

2018					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)

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)	**-**	**-**	**-**	**-**	**-**

MARKET RISK

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

Market Risk Management

Our Group adopts various measures as part of the risk management process. Our GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by our Group is within the risk appetite approved by our Board. Our Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

Market Risk CoE is 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 e with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

Our Group adopts the VaR methodology as an approach in the measurement of market risk. 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.

Stress testing is conducted 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.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limit usage, assessing limit adequacy and verifying transaction prices.

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 and management of operational risks for the implementation by respective risk owners across the Group. The ORM department also independently oversees the operational risk controls monitoring that resides within the first line of defence.

Identified risks are rated using a defined risk rating methodology applied across the Group's three lines of defence. Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

A strong governance structure is in place to ensure an effective and consistent implementation of the Group's Operational Risk framework. The Board is ultimately responsible for the Group's risk management activities, sets the strategic directions, risk appetite and relevant frameworks for the Group.

The responsibility of risk management supervision and control is delegated to the Group Risk and Compliance Committee (GRCC), which reports to the Board Risk and Compliance Committee (BRCC). The GRCC, comprising Senior Management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by the Group Operational Risk Committee which is a specialised sub-committee providing oversight on operational risk matters across the Bank.

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 and monitor 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

OPERATIONAL RISK *(continued)*

Operational Risk Management Approach (continued)

v) Deployment of ORM tools that include:
- Operational Event and Loss Data Management;
- 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 the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on 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 , 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).

Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

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 measured at fair value in accordance with Malaysian Financial Reporting Standards.

Realised and unrealised gains or losses arising from sales and liquidations of equities for CIMB Bank for the year ended 31 December 2018 and 31 December 2017 is as follows:

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

(RM'000)	CIMB Bank	
	2018	2017
Realised (loss)/gains		
Shares, private equity funds and unit trusts	-	(727)
Unrealised gains		
Shares, private equity funds and unit trusts	76,313	778,716

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2018 and 31 December 2017:

Table 29: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2018		2017	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,101,480	1,652,220	1,099,200	1,648,800
Publicly traded	-	-	-	-
Total	**1,101,480**	**1,652,220**	**1,099,200**	**1,648,800**

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.

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 GRCC. With the support from ALM COE under Group Risk, and CBSM under Group Finance, our GALCO is responsible for the review and monitoring of the 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 the day-to-day management of exposures 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	
	2018	2017
Currency	+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	(754,713)	(735,723)
US Dollar	14,459	(4,745)
Thai Baht	(8)	(9)
Singapore Dollar	(128,768)	(164,864)
Others	19,511	16,554
Total	**(849,519)**	**(888,787)**

- 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 takes 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	
	2018	2017
Currency	+100bps Increase (Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	316,872	308,970
US Dollar	(144,503)	(90,499)
Thai Baht	191	218
Singapore Dollar	18,573	(34,017)
Others	37,985	16,407
Total	**229,118**	**201,079**

[END OF SECTION]