Basel II Pillar 3 Disclosure for 2021

- **CIMB Bank Berhad**

Contents

ABBREVIATIONS

A-IRB Approach	: Advanced Internal Ratings Based Approach
ALM COE	: Asset Liability Management Centre of Excellence
ASB	: Amanah Saham Bumiputra
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, CIMB Bank (Vietnam) Limited 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 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

ABBREVIATIONS *(continued)*

Fitch	: Fitch Ratings
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	: Shariah Risk Management
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 prescribes a number of different approaches to risk calculation that allow 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 disclosures in accordance with requirements aimed to encourage market discipline in a manner 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 2021 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 2021.

The basis of consolidation for financial accounting purposes is described in the 2021 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 the disclosures 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 2020 financial statements as the credit risk exposure definition within the ambit of accounting standards represents the balance outstanding as at balance sheet date and does not take into account the expected undrawn contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2021 financial statements for CIMB Bank.

Any discrepancies between the totals and sum of the components in the tables contained in the disclosures 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.

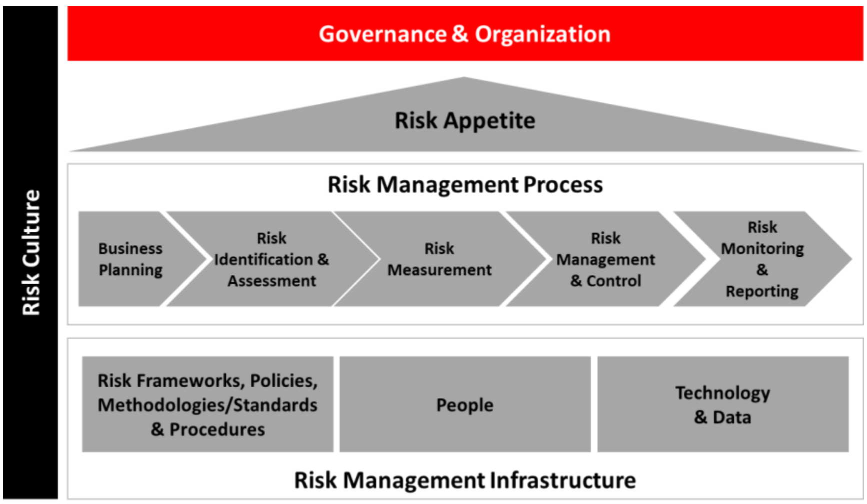
RISK MANAGEMENT OVERVIEW

Our Group embraces risk management as an integral part of our Group's strategy, business, operations and decision-making processes. 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 strategy discussion and risk-taking process by providing independent inputs, including relevant valuations and scenario analysis, credit evaluations, new product assessments and quantification of capital requirements and risk return analysis / simulations. These inputs enable the business units to assess the risk-vs-reward of their propositions.

Enterprise Wide Risk Management Framework

Our Group employs a Group Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage our risks and opportunities. The Group EWRM framework provides our Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration evolving 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 Group EWRM framework incorporates a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

RISK MANAGEMENT OVERVIEW *(continued)*

Enterprise Wide Risk Management Framework (continued)

The key features of the Group 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 initially from the onset of risk-taking activities. 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 EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards, and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively implemented.

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 the business planning process, including setting frameworks for risk appetite, risk posture and new products & business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.
- 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 **Frameworks,** Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. 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 provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation 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 to 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 Group EWRM framework, provides strategic guidance and reviews the decisions of our GRCC.

To facilitate the effective implementation of the Group 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 risk management supervision and control is delegated to our GRCC, which reports directly to our BRCC. Our GRCC, comprising senior management of the Group, performs the oversight function for the overall management of risks. Our GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Credit risk, 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;

(ii) Market risk, defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(iii) Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Interest rate/rate of return 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/profit rates;

(v) Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;

(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

(vii) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage.

(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another;

RISK MANAGEMENT OVERVIEW *(continued)*

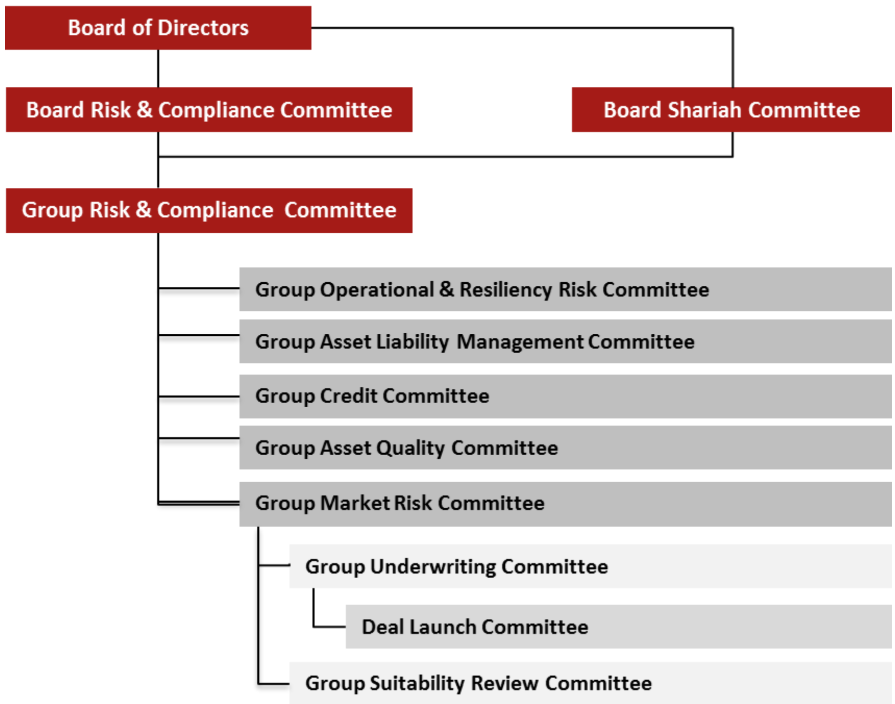
Risk Governance (continued)

(ix) Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to the Group; and

(x) SNC risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage which CIMB Group may suffer arising from failure to comply with Shariah requirements determined by SAC of BNM and SC, including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA; or decisions or advice by BSC of CIMB Islamic Bank; or other Shariah regulatory authorities of the jurisdictions where the Group operates..

(xi) Sustainability risk, defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group's own internal operations and employees.

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.

RISK MANAGEMENT OVERVIEW *(continued)*

Risk Governance (continued)

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 initially from the onset 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 with reporting to the Board and 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 Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management 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.

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. Our Group CRO:

a) actively engages the respective boards 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 operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

(a) CRO

(i) The Group CRO is supported by the CROs who oversee the risk management functions in overseas branches and banking subsidiaries.
(ii) 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.
(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 Asset Liability Management, Credit Risk , Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Risk Analytics, and Credit Risk Infrastructure CoEs.

- Asset Liability Management CoE

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

RISK MANAGEMENT OVERVIEW *(continued)*
The Roles of Group CRO and Group Risk Division (continued)

(b) Risk Centres of Excellence (continued)

- 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 in the Group. The scope under the CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (including rollout of challenger Alternate Credit Underwriting models leveraging on non-traditional/alternate data for someof our Retail portfolios).

- Market Risk CoE
  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised 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.

- Non-Financial Risk Management CoE
  The Non-Financial Risk Management (NFRM) 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 acts as a consultant with the Group in providing operational risk expertise and reporting to senior management.

  The Shariah Risk Management ("SRM") unit within the NFRM CoE 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.

  NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

- Risk Analytics CoE
  The Risk Analytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

- Credit Risk Infrastructure CoE
  The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of loan/financing decision engine and rating system, which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

RISK MANAGEMENT OVERVIEW *(continued)*
The Roles of Group CRO and Group Risk Division (continued)

(b) Risk Centres of Excellence (continued)

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 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/Rate of Return Risk in the Banking Book are available in the later sections.

SHARIAH GOVERNANCE DISCLOSURE

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (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 Corporate Assurance Division 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 Corporate Assurance Division respectively.

Shariah non-compliance income during the year

During the year ended 31 December 2021, 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 Group EXCO who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

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

Capital Structure and Adequacy

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components)/Capital Adequacy Framework for Islamic Banks (Capital Components), of which the latest revisions were issued on 9 December 2020. The revised guidelines took effect on 9 December 2020 for all banking institutions and financial holding companies and sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of CIMB Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019. 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 the Basic Indicator Approach. The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components).

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	
	2021	**2020**
Common Equity Tier 1 capital		
Ordinary share capital	21,855,078	21,323,364
Other reserves	14,672,012	13,370,829
Less: Proposed dividends	(651,012)	-
Common Equity Tier 1 capital before regulatory adjustments	**35,876,078**	**34,694,193**
Less: Regulatory adjustments		
Goodwill	(3,555,075)	(3,555,075)
Intangible assets	(1,029,540)	(1,028,113)
Deferred tax assets	(903,392)	(720,767)
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(5,948,651)	(5,895,613)
Regulatory reserve	(129,196)	(20,409)
Others	(147)	(47,776)
Common Equity Tier 1 capital after regulatory adjustments	**24,310,077**	**23,426,440**
Additional Tier 1 capital		
Perpetual preference shares	200,000	200,000
Perpetual subordinated capital securities	1,750,000	3,150,000
Additional Tier 1 capital before regulatory adjustments	**1,950,000**	**3,350,000**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(420,000)	(432,921)
Additional Tier 1 capital after regulatory adjustments	**1,530,000**	**2,917,079**
Total Tier 1 capital	**25,840,077**	**26,343,519**
Tier 2 capital		
Subordinated notes	6,800,000	8,200,000
Redeemable preference shares	29,740	29,740
Surplus eligible provisions over expected loss	676,117	742,520
General provision	323,734	326,541
Tier 2 capital before regulatory adjustments	**7,829,591**	**9,298,801**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

(RM'000)	CIMB Bank	
	2021	**2020**
Less: Regulatory adjustments		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(2,445,967)	(2,509,099)
Total Tier 2 capital	**5,383,624**	**6,789,702**
Total capital	**31,223,701**	**33,133,221**
RWA		
Credit risk	138,584,833	149,876,677
Market risk	10,800,858	11,576,625
Large exposure risk requirements	891,987	910,107
Operational risk	17,031,328	16,115,259
Total RWA	**167,309,006**	**178,478,668**
Capital Adequacy Ratios		
Before deducting proposed dividend		
Common Equity Tier 1 ratio	14.919%	13.126%
Tier 1 ratio	15.834%	14.760%
Total Capital ratio	19.051%	18.564%
After deducting proposed dividend		
Common Equity Tier 1 ratio	14.530%	13.126%
Tier 1 ratio	15.445%	14.760%
Total Capital ratio	18.662%	18.564%

The Total Capital ratio increased in 2021 compared to 2020 primarily due to (i) decrease in RWA mainly from Credit and Market RWA, (ii) higher retained earnings; (iii) increase in paid-up capital arising from reinvestment by CIMBGH & CIMBG pursuant to the completion of Dividend Reinvestment Scheme (DRS) for FY2021 First Interim Dividend, (iv) issuance of RM100 million Sustainability Sukuk; offset by (v) redemption of RM1.5 billion T2 Subordinated Debt, (vi) redemption of RM1.4 billion AT1 Capital Securities (vii) proposed dividend, (viii) higher FVOCI loss; and (ix) higher DTA deduction.

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

2021					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	60,536,350	60,536,350	688,505	688,505	55,080
Public Sector Entities	8,053,413	8,053,337	810,667	810,667	64,853
Banks, DFIs & MDBs	1,259,863	1,259,863	484,840	484,840	38,787
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,541,939	1,497,261	916,487	916,487	73,319
Corporate	9,973,520	5,836,421	6,662,959	6,662,959	533,037
Regulatory Retail	16,785,275	15,631,894	10,033,343	10,033,343	802,667
Residential Mortgages/RRE Financing	1,148,798	1,146,191	424,496	424,496	33,960
Higher Risk Assets	1,727,842	1,727,842	2,591,763	2,591,763	207,341
Other Assets	6,151,040	6,151,040	3,189,446	3,189,446	255,156
Securitisation	480,627	480,627	96,125	96,125	7,690
Equity Exposure	83	83	83	83	7
Total for SA	**107,658,750**	**102,320,910**	**25,898,715**	**25,898,715**	**2,071,897**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	24,230,112	24,230,112	6,673,263	6,673,263	533,861
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	115,553,232	115,553,232	71,415,216	71,415,216	5,713,217
Residential Mortgages/RRE Financing	70,931,102	70,931,102	13,133,107	13,133,107	1,050,649
Qualifying Revolving Retail	11,101,237	11,101,237	6,550,978	6,550,978	524,078
Hire Purchase	6,270,422	6,270,422	4,281,022	4,281,022	342,482
Other Retail	25,351,911	25,351,911	4,254,073	4,254,073	340,326
Securitisation	-	-	-	-	-
Total for IRB Approach	**253,438,017**	**253,438,017**	**106,307,658**	**106,307,658**	**8,504,613**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**361,096,766**	**355,758,927**	**138,584,833**	**138,584,833**	**11,086,787**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2021					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	**891,987**	**891,987**	**891,987**	**891,987**	**71,359**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			7,351,063	7,351,063	588,085
Foreign Currency Risk			1,896,778	1,896,778	151,742
Equity Risk			459,405	459,405	36,752
Commodity Risk			55,675	55,675	4,454
Options Risk			1,037,936	1,037,936	83,035
Total Market Risk			**10,800,858**	**10,800,858**	**864,069**
Operational Risk (BIA)			**17,031,328**	**17,031,328**	**1,362,506**
Total RWA and Capital Requirement			**167,309,006**	**167,309,006**	**13,384,720**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2020					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	53,420,321	53,420,321	711,642	711,642	56,931
Public Sector Entities	4,037,632	4,037,554	7,511	7,511	601
Banks, DFIs & MDBs	979,663	979,663	377,068	377,068	30,165
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,773,556	1,722,658	1,054,849	1,054,849	84,388
Corporate	9,502,167	5,693,592	6,726,583	6,726,583	538,127
Regulatory Retail	15,674,756	14,528,498	10,876,380	10,876,380	870,110
Residential Mortgages/RRE Financing	1,143,327	1,140,518	420,164	420,164	33,613
Higher Risk Assets	1,798,277	1,798,277	2,697,325	2,697,325	215,786
Other Assets	5,947,617	5,947,617	3,177,275	3,177,275	254,182
Securitisation	372,539	372,539	74,508	74,508	5,961
Total for SA	**94,649,853**	**89,641,237**	**26,123,305**	**26,123,305**	**2,089,864**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	23,486,631	23,486,631	6,065,498	6,065,498	485,240
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	114,912,734	114,912,734	80,863,064	80,863,064	6,469,045
Residential Mortgages/RRE Financing	67,680,571	67,680,571	13,134,251	13,134,251	1,050,740
Qualifying Revolving Retail	11,652,875	11,652,875	6,984,157	6,984,157	558,733
Hire Purchase	7,255,007	7,255,007	4,412,462	4,412,462	352,997
Other Retail	26,942,433	26,942,433	5,289,033	5,289,033	423,123
Securitisation	-	-	-	-	-
Total for IRB Approach	**251,930,251**	**251,930,251**	**116,748,464**	**116,748,464**	**9,339,877**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**346,580,105**	**341,571,488**	**149,876,677**	**149,876,677**	**11,990,134**

CAPITAL MANAGEMENT *(continued)*

Capital Structure and Adequacy (continued)

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

2020					**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	**910,107**	**910,107**	**910,107**	**910,107**	**72,809**
Market Risk (SA)					
Interest Rate Risk/Profit Rate Risk			8,051,980	8,051,980	644,158
Foreign Currency Risk			2,344,493	2,344,493	187,559
Equity Risk			393,120	393,120	31,450
Commodity Risk			114,283	114,283	9,143
Options Risk			672,749	672,749	53,820
Total Market Risk			**11,576,625**	**11,576,625**	**926,130**
Operational Risk (BIA)			**16,115,259**	**16,115,259**	**1,289,221**
Total RWA and Capital Requirement			**178,478,668**	**178,478,668**	**14,278,293**

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 initially from the onset of risk-taking activities, our Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework 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 authorities 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/financing, 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/financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limits submitted to joint delegated authority or relevant committees for approval.

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 reporting and policy reviews. The committee 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 is made available.

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

2021					CIMB Bank
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
Sovereign	51,906,428	8,115,187	-	514,736	60,536,350
PSE	8,053,413	-	-	-	8,053,413
Bank	17,815,620	3,691,524	-	3,982,832	25,489,975
Corporate	90,628,688	31,501,070	-	4,938,932	127,068,691
Mortgage/RRE Financing	64,134,001	7,940,650	-	5,249	72,079,900
HPE	6,270,422	-	-	-	6,270,422
QRRE	8,789,621	2,311,616	-	-	11,101,237
Other Retail	36,527,685	5,609,461	-	40	42,137,186
Other Exposures	6,924,498	482,484	-	952,610	8,359,592
Total Gross Credit Exposure	**291,050,376**	**59,651,992**	**-**	**10,394,399**	**361,096,766**

2020					CIMB Bank
(RM'000) Exposure Class	**Malaysia**	**Singapore**	**Thailand**	**Other Countries**	**Total**
Sovereign	45,008,666	8,231,565	-	180,090	53,420,321
PSE	4,037,632	-	-	-	4,037,632
Bank	16,891,508	3,802,734	-	3,772,052	24,466,294
Corporate	89,679,727	30,949,750	-	5,558,979	126,188,456
Mortgage/RRE Financing	62,203,193	6,406,022	-	214,683	68,823,897
HPE	7,255,007	-	-	-	7,255,007
QRRE	9,181,827	2,471,049	-	-	11,652,875
Other Retail	38,997,935	3,619,182	-	72	42,617,190
Other Exposures	6,900,294	453,374	-	764,764	8,118,433
Total Gross Credit Exposure	**280,155,788**	**55,933,676**	**-**	**10,490,640**	**346,580,105**

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

2021												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	184,761	-	-	244,498	5,552,875	-	3,893,998	11,237,084	37,898,776	-	1,524,359	60,536,350
PSE	2,310	-	-	-	-	-	-	170	8,050,829	-	104	8,053,413
Bank	-	-	-	-	-	-	-	25,489,975	-	-	-	25,489,975
Corporate	4,836,400	6,085,239	12,010,582	9,222,656	10,759,669	16,954,273	9,935,693	37,982,193	9,605,772	6,733,242	2,942,971	127,068,691
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	72,079,900	-	72,079,900
HPE	-	-	-	-	-	-	-	-	-	6,270,422	-	6,270,422
QRRE	-	-	-	-	-	-	-	-	-	11,101,237	-	11,101,237
Other Retail	175,785	37,713	1,090,482	29,690	741,535	2,402,134	295,093	2,782,843	597,022	33,984,890	-	42,137,186
Other Exposures	-	-	0	384,876	-	-	3,409	466,395	791,955	-	6,712,957	8,359,592
Total Gross Credit Exposure	**5,199,255**	**6,122,951**	**13,101,064**	**9,881,720**	**17,054,079**	**19,356,407**	**14,128,194**	**77,958,660**	**56,944,354**	**130,169,691**	**11,180,391**	**361,096,766**

**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)*

2020												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	183,498	-	-	576,507	4,731,932	-	2,987,159	9,509,312	34,789,655	-	642,258	53,420,321
PSE	2,243	-	-	-	-	-	-	147	4,035,159	-	83	4,037,632
Bank	-	-	-	-	-	-	-	24,466,294	-	-	-	24,466,294
Corporate	6,306,180	5,996,459	11,192,242	8,642,918	13,470,334	16,875,709	9,319,122	38,164,214	7,554,359	5,955,543	2,711,375	126,188,456
Mortgage/ RRE Financing	-	-	-	-	-	-	-	-	-	68,823,897	-	68,823,897
HPE	-	-	-	-	-	-	-	-	-	7,255,007	-	7,255,007
QRRE	-	-	-	-	-	-	-	-	-	11,652,875	-	11,652,875
Other Retail	189,364	47,775	1,119,697	33,594	785,661	2,329,118	306,440	2,798,583	582,466	34,424,490	-	42,617,190
Other Exposures	-	-	-	216,962	-	-	-	1,325,739	21,819	-	6,553,913	8,118,433
Total Gross Credit Exposure	**6,681,285**	**6,044,234**	**12,311,939**	**9,469,980**	**18,987,927**	**19,204,827**	**12,612,722**	**76,264,289**	**46,983,459**	**128,111,813**	**9,907,629**	**346,580,105**

**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

2021				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	16,711,569	10,160,110	33,664,672	60,536,350
PSE	304	4,396	8,048,713	8,053,413
Bank	19,927,791	3,980,733	1,581,451	25,489,975
Corporate	51,201,348	41,433,869	34,433,473	127,068,691
Mortgage/RRE Financing	42,578	632,460	71,404,861	72,079,900
HPE	88,298	2,993,994	3,188,130	6,270,422
QRRE	11,101,237	-	-	11,101,237
Other Retail	4,295,288	4,213,646	33,628,252	42,137,186
Other Exposures	76,831	297,922	7,984,839	8,359,592
Total Gross Credit Exposure	**103,445,245**	**63,717,131**	**193,934,391**	**361,096,766**

2020				**CIMB Bank**
(RM'000) Exposure Class	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Sovereign	13,863,574	10,364,099	29,192,647	53,420,321
PSE	73	4,676	4,032,883	4,037,632
Bank	18,257,695	4,697,874	1,510,725	24,466,294
Corporate	46,384,843	44,947,987	34,855,626	126,188,456
Mortgage/RRE Financing	31,246	555,781	68,236,871	68,823,897
HPE	57,612	3,620,711	3,576,684	7,255,007
QRRE	11,652,875	-	-	11,652,875
Other Retail	2,831,416	3,959,596	35,826,177	42,617,190
Other Exposures	25,227	268,428	7,824,778	8,118,433
Total Gross Credit Exposure	**93,104,561**	**68,419,154**	**185,056,389**	**346,580,105**

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 2021 and 31 December 2020 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	
	2021	2020
Primary Agriculture	3,489	10,055
Mining and Quarrying	1,634	1,474
Manufacturing	35,415	40,602
Electricity, Gas and Water Supply	102	616
Construction	34,762	52,723
Wholesale and Retail Trade, and Restaurants and Hotels	36,193	96,489
Transport, Storage and Communication	8,385	23,215
Finance, Insurance/Takaful, Real Estate and Business Activities	57,313	153,350
Education, Health and Others	13,334	41,758
Household	3,450,752	5,251,372
Others*	22,096	11,064
Total	**3,663,475**	**5,682,718**

**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	
	2021	2020
Malaysia	3,551,836	5,519,182
Singapore	97,307	116,659
Other Countries	14,332	46,877
Total	**3,663,475**	**5,682,718**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

ii) Credit Impaired Loans/Financings

CIMB Bank classifies a loan, advances and financing as credit impaired when it meets one or more of the following criteria:

(a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;
(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Bank's internal credit risk rating framework; or
(d) As soon as a default occurs where the principal and /or interest/profit repayments/payments are scheduled on intervals of 3 months or longer. For the purpose of ascertaining the period in arrears:
    - Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
    - Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Bank's internal policy, the determination of period in arrears shall exclude the moratorium period granted.
(e) Force Impaired Credit Facilities
    The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.
(f) Cross Default
    When an obligor/counterparty has multiple credit facilities with the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

The Bank assesses on a forward looking basis the expected credit losses (ECL) associated with its loans, advances and financing. The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest/profit rate or an approximation thereof.

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

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

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

The following tables provide an analysis of the outstanding balances as at 31 December 2021 and 31 December 2020 which were credit impaired by sector and geographical respectively:

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

(RM'000)	CIMB Bank	
	2021	**2020**
Primary Agriculture	51,776	53,536
Mining and Quarrying	1,238,003	334,706
Manufacturing	203,598	141,054
Electricity, Gas and Water Supply	250,530	247,018
Construction	101,055	176,488
Wholesale and Retail Trade, and Restaurants and Hotels	1,381,076	1,328,791
Transport, Storage and Communication	1,206,694	1,140,964
Finance, Insurance/Takaful, Real Estate and Business Activities	338,385	393,385
Education, Health and Others	109,369	109,487
Household	1,256,929	1,737,275
Others*	654,991	13,719
Total	**6,792,406**	**5,676,423**

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

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

(RM'000)	CIMB Bank	
	2021	**2020**
Malaysia	4,621,685	4,233,198
Singapore	1,522,491	1,437,222
Other Countries	648,230	6,003
Total	**6,792,406**	**5,676,423**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

iii) Expected Credit Losses

Table 10: Expected credit losses (Stage 1, 2 and 3) by Sector

(RM'000)	CIMB Bank			
	2021			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Total
Primary Agriculture	16,291	1,842	23,049	41,182
Mining and Quarrying	9,121	268	656,518	665,907
Manufacturing	17,372	17,528	101,474	136,374
Electricity, Gas and Water Supply	3,391	1,794	73,387	78,572
Construction	9,598	8,208	38,312	56,118
Wholesale and Retail Trade, and Restaurants and Hotels	80,093	63,459	979,297	1,122,849
Transport, Storage and Communications	7,237	152,621	1,002,784	1,162,642
Finance, Insurance/Takaful, Real Estate and Business Activities	53,999	30,502	177,479	261,980
Education, Health and Others	8,422	8,156	12,246	28,824
Household	584,042	1,345,688	537,676	2,467,406
Others*	28,279	6,575	492,316	527,170
Total	**817,845**	**1,636,641**	**4,094,538**	**6,549,024**

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

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

iii) Expected Credit Losses *(continued)*

Table 10: Expected credit losses (Stage 1, 2 and 3) by Sector (continued)

(RM'000)	CIMB Bank			
	2020			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3)	Total
Primary Agriculture	17,195	897	23,871	41,963
Mining and Quarrying	8,816	87,812	106,955	203,583
Manufacturing	17,294	7,427	181,919	206,640
Electricity, Gas and Water Supply	4,435	43	23,578	28,056
Construction	17,491	2,463	61,179	81,133
Wholesale and Retail Trade, and Restaurants and Hotels	29,507	11,977	998,618	1,040,102
Transport, Storage and Communications	10,308	119,547	1,016,224	1,146,079
Finance, Insurance/Takaful, Real Estate and Business Activities	58,983	8,464	197,354	264,798
Education, Health and Others	5,077	1,597	7,040	13,714
Household	666,029	863,101	705,011	2,234,144
Others*	22,466	96,743	9,953	129,162
Total	**857,601**	**1,200,071**	**3,331,702**	**5,389,374**

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

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

iii) Expected Credit Losses *(continued)*

Table 11: Expected credit losses (Stage 1, 2 and 3) by Geographic Distribution

(RM'000)	CIMB Bank			
	2021			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3	Total
Malaysia	639,128	1,538,717	2,493,383	4,671,228
Singapore	158,946	96,298	1,111,927	1,367,171
Other Countries	19,771	1,626	489,228	510,625
Total	**817,845**	**1,636,641**	**4,094,538**	**6,549,024**

(RM'000)	CIMB Bank			
	2020			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses – not credit impaired (Stage 2)	Lifetime expected credit losses – credit impaired (Stage 3	Total
Malaysia	675,526	1,001,951	2,290,966	3,968,443
Singapore	168,963	104,716	1,035,106	1,308,785
Other Countries	13,112	93,404	5,630	112,146
Total	**857,601**	**1,200,071**	**3,331,702**	**5,389,374**

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances &Financing (continued)

iii) Expected Credit Losses *(continued)*

Table 12: Expected credit losses charges/(write back) and write-off for Stage 3

(RM'000)	CIMB Bank	
	2021	
	Charges/(write back)	Write-off
	Lifetime expected credit losses - Credit impaired (Stage 3)	Lifetime expected credit losses - Credit impaired (Stage 3)
Primary Agriculture	(1,518)	204
Mining and Quarrying	107,961	109
Manufacturing	23,775	20,959
Electricity, Gas and Water Supply	49,743	517
Construction	(2,196)	16,324
Wholesale and Retail Trade, and Restaurants and Hotels	3,129	59,203
Transport, Storage and Communications	(9,604)	7,191
Finance, Insurance/Takaful, Real Estate and Business Activities	(12,357)	9,573
Education, Health and Others	8,747	1,625
Household	372,645	425,151
Others*	180,407	27,069
Total	**720,732**	**567,925**

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

CREDIT RISK (continued)

Credit Quality of Loans, Advances &Financing (continued)

iii) Expected Credit Losses *(continued)*

Table 12: Expected credit losses charges/(write back) and write-off for Stage 3 (continued)

(RM'000)	CIMB Bank	
	2020	
	Charges/(write back)	Write-off
	Lifetime expected credit losses - Credit impaired (Stage 3)	Lifetime expected credit losses - Credit impaired (Stage 3)
Primary Agriculture	928	2,862
Mining and Quarrying	278,424	235,842
Manufacturing	19,962	153,553
Electricity, Gas and Water Supply	(2,890)	35
Construction	18,769	15,650
Wholesale and Retail Trade, and Restaurants and Hotels	1,026,244	11,517
Transport, Storage and Communications	36,598	911
Finance, Insurance/Takaful, Real Estate and Business Activities	46,989	5,547
Education, Health and Others	4,077	279
Household	481,008	401,617
Others*	12,124	5,193
Total	**1,922,233**	**833,006**

**Others are exposures which are not elsewhere classified*

CREDIT RISK *(continued)*

Credit Quality of Loans, Advances & Financing (continued)

iii) Expected Credit Losses *(continued)*

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

(RM'000)	CIMB Bank			
	2021			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - credit impaired (Stage 3)	Total
At 1 January 2021	857,601	1,200,071	3,331,702	5,389,374
Changes in expected credit losses due to transferred within stages	598,685	(1,088,607)	489,922	-
Transferred to Stage 1	1,054,425	(975,549)	(78,876)	-
Transferred to Stage 2	(454,656)	1,028,846	(574,190)	-
Transferred to Stage 3	(1,084)	(1,141,904)	1,142,988	-
Total charge to Income Statement	(642,188)	1,163,712	720,732	1,242,256
New financial assets originated	586,605	472,429	17,810	1,076,844
Financial assets that have been derecognised	(372,949)	(544,398)	-	(917,347)
Write back in respect of full recoveries	-	-	(57,324)	(57,324)
Change in credit risk	(855,844)	1,235,681	760,246	1,140,083
Write-offs	(902)	(928)	(567,925)	(569,755)
Exchange fluctuation	3,079	6,487	44,103	53,669
Transfer from related companies	-	-	-	-
Other movements	1,570	355,906	76,004	433,480
Total	**817,845**	**1,636,641**	**4,094,538**	**6,549,024**

CREDIT RISK (CONTINUED)

Credit Quality of Loans, Advances and Financing (continued)

iii) Expected Credit Losses *(continued)*

Table 13: Analysis of movement in the Expected Credit Losses for Loans, Advances and Financing (continued)

(RM'000)	CIMB Bank			
	2020			
	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - credit impaired (Stage 3)	Total
At 1 January 2020	641,476	445,075	2,194,095	3,280,646
Changes in expected credit losses due to transferred within stages	(364,075)	291,638	72,437	-
Transferred to Stage 1	432,839	(351,941)	(80,898)	-
Transferred to Stage 2	(793,793)	1,037,224	(243,431)	-
Transferred to Stage 3	(3,121)	(393,645)	396,766	-
Total charge to Income Statement	587,100	463,735	1,922,233	2,973,068
New financial assets originated	491,609	54,277	38,512	584,398
Financial assets that have been derecognised	(368,061)	(91,750)	-	(459,811)
Write back in respect of full recoveries	-	-	(79,688)	(79,688)
Change in credit risk	463,552	501,208	1,963,409	2,928,169
Write-offs	(323)	(62)	(833,006)	(833,391)
Exchange fluctuation	(3,897)	(207)	(79,906)	(84,010)
Transfer from related companies	-	-	-	-
Other movements	(2,680)	(108)	55,849	53,061
Total	**857,601**	**1,200,071**	**3,331,702**	**5,389,374**

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

2021													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 *	Equity	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk-Weighted Assets
0%	59,099,185	-	184,162	-	3,574	685,326	-	-	2,961,594	-	-	62,933,842	-
20%	100,260	4,053,337	176,782	119,055	347,100	2,203,357	-	-	-	480,627	-	7,480,518	1,496,104
35%	-	-	-	-	-	-	1,046,716	-	-	-	-	1,046,716	366,350
50%	1,336,905	-	898,872	971,060	209,270	585,571	82,660	-	-	-	-	4,084,338	2,042,169
75%	-	-	-	-	-	11,492,381	-	-	-	-	-	11,492,381	8,619,285
100%	-	-	47	407,147	5,142,811	634,579	16,816	-	3,189,446	-	83	9,390,928	9,390,928
100% < RW < 1250%	-	-	-	-	29,520	30,681	-	1,727,842	-	-	-	1,788,043	2,682,065
1250%	-	-	-	-	104,145	-	-	-	-	-	-	104,145	1,301,813
Total	**60,536,350**	**4,053,337**	**1,259,863**	**1,497,261**	**5,836,421**	**15,631,894**	**1,146,191**	**1,727,842**	**6,151,040**	**480,627**	**83**	**98,320,910**	**25,898,715**
Average Risk Weight	**1%**	**20%**	**38%**	**61%**	**114%**	**64%**	**37%**	**150%**	**52%**	**20%**	**100%**	**26%**	
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)*

2020												**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%	51,968,874	-	138,309	-	200	9,539	-	-	2,770,342	-	54,887,264	-
20%	46,940	37,554	145,361	97,094	192,866	371,968	-	-	-	372,539	1,264,322	252,864
35%	-	-	-	-	-	-	1,053,459	-	-	-	1,053,459	368,711
50%	1,404,507	-	695,992	1,180,268	89,176	22,599	71,211	-	-	-	3,463,754	1,731,877
75%	-	-	-	-	-	13,456,904	-	-	-	-	13,456,904	10,092,678
100%	0	-	-	445,297	5,238,442	606,446	15,848	182	3,177,275	-	9,483,489	9,483,489
100% < RW < 1250%	-	-	-	0	68,761	61,041	-	1,798,096	-	-	1,927,898	2,891,848
1250%	-	-	-	-	104,147	-	-	-	-	-	104,147	1,301,838
Total	**53,420,321**	**37,554**	**979,663**	**1,722,658**	**5,693,592**	**14,528,498**	**1,140,518**	**1,798,277**	**5,947,617**	**372,539**	**85,641,237**	**26,123,304**
Average Risk Weight	**1%**	**20%**	**38%**	**61%**	**118%**	**75%**	**37%**	**150%**	**53%**	**20%**	**31%**	
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

2021				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	8,053,413	8,053,413
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,104,344	-	437,595	1,541,939
Corporate	5,697	92,670	9,875,154	9,973,520
Sovereign/Central Banks	55,484,702	-	5,051,649	60,536,350
Banks, MDBs and DFIs	1,259,863	-	-	1,259,863
Total	**57,854,606**	**92,670**	**23,417,810**	**81,365,085**

2020				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Public Sector Entities	-	-	4,037,632	4,037,632
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,267,201	-	506,354	1,773,556
Corporate	186,401	-	9,315,766	9,502,167
Sovereign/Central Banks	35,284,957	-	18,135,363	53,420,321
Banks, MDBs and DFIs	979,663	-	-	979,663
Total	**37,718,223**	**-**	**31,995,115**	**69,713,338**

CREDIT RISK *(continued)*

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

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

2021				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	480,627	-	-	**480,627**

2020				CIMB Bank
(RM '000) Exposure Class	Investment Grade	Non-Investment Grade	No Rating	Total
On and Off-Balance-Sheet Exposures				
Securitisation	372,539	-	-	**372,539**

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 for 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 portfolio 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 inputs 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 the 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 is a portfolio large in numbers and are similarly managed due to its 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, business premises loans/financing and ASB financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for new customers and behavioural scorecards for existing customers. The models deployed for retail portfolio include application, behavioural, PD, LGD and EAD segmentation models.

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 model risk estimate is developed based on expert judgment or available industry data with margin of conservatism.

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/financing EAD estimation includes the estimated net additional drawings 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 such as 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 2021 and 31 December 2020:

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

2021				**CIMB Bank**
(RM'000) **PD Range of Retail Exposures**	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure	**96,993,359**	**14,539,218**	**2,122,095**	**113,654,673**
Residential Mortgage/RRE Financing	64,618,196	4,777,696	1,535,210	70,931,102
QRRE	8,365,936	2,641,478	93,824	11,101,237
Hire Purchase	4,232,273	1,894,041	144,109	6,270,422
Other Retail	19,776,955	5,226,004	348,952	25,351,911
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	23%	28%	
QRRE	89%	89%	89%	
Hire Purchase	47%	54%	48%	
Other Retail	21%	15%	48%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	10%	69%	205%	
QRRE	28%	147%	319%	
Hire Purchase	49%	97%	241%	
Other Retail	13%	24%	101%	

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)

2020				CIMB Bank
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure	**96,087,175**	**14,968,892**	**2,474,820**	**113,530,886**
Residential Mortgage/RRE Financing	61,102,616	4,815,164	1,762,791	67,680,571
QRRE	8,755,926	2,778,985	117,965	11,652,875
Hire Purchase	6,262,023	877,992	114,992	7,255,007
Other Retail	19,966,610	6,496,751	479,072	26,942,433
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	22%	27%	
QRRE	89%	89%	89%	
Hire Purchase	53%	54%	56%	
Other Retail	25%	15%	49%	
Exposure Weighted Average Risk Weight				
Residential Mortgage/RRE Financing	10%	84%	161%	
QRRE	29%	144%	379%	
Hire Purchase	53%	91%	236%	
Other Retail	16%	25%	110%	

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

2021				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**103,726,410**	**9,649,871**	**278,392**	**113,654,673**
Residential Mortgage/RRE Financing	68,781,350	2,027,634	122,118	70,931,102
QRRE	7,348,188	3,748,884	4,166	11,101,237
Hire Purchase	3,997,585	2,257,631	15,207	6,270,422
Other Retail	23,599,287	1,615,723	136,901	25,351,911
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	29%	39%	
QRRE	89%	89%	90%	
Hire Purchase	46%	55%	48%	
Other Retail	19%	29%	80%	

2020				**CIMB Bank**
(RM'000) EL Range of Retail Exposures	**EL ≤ 1%**	**1% < EL < 100%**	**EL = 100%**	**Total**
Total Retail Exposure	**102,635,009**	**10,640,764**	**255,114**	**113,530,886**
Residential Mortgage/RRE Financing	64,150,670	3,442,393	87,508	67,680,571
QRRE	7,654,299	3,993,085	5,492	11,652,875
Hire Purchase	6,264,037	988,999	1,971	7,255,007
Other Retail	24,566,004	2,216,286	160,143	26,942,433
Exposure Weighted Average LGD				
Residential Mortgage/RRE Financing	19%	25%	38%	
QRRE	89%	89%	90%	
Hire Purchase	53%	55%	55%	
Other Retail	22%	29%	87%	

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 2021 and 31 December 2020:

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

2021						**CIMB Bank**
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	691,304	2,114,278	33,990	38	1,805,178	4,644,787
Object Finance	-	-	-	-	-	-
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	1,730,576	8,612,472	248,602	975,140	238,819	11,805,610
RWA	**1,211,343**	**8,285,370**	**324,981**	**2,437,944**	**-**	**12,259,637**

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)

2020						CIMB Bank
(RM '000) Supervisory Categories	Strong	Good	Satisfactory	Weak	Default	Total
Project Finance	707,981	1,515,800	248,108	-	1,742,543	4,214,432
Object Finance	-	-	-	-	-	-
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	2,269,659	9,076,125	234,982	977,498	175,385	12,733,650
RWA	**1,519,529**	**8,390,356**	**555,553**	**2,443,746**	**-**	**12,909,185**

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

2021					CIMB Bank
(RM'000) Internal Risk Grading	1 - 7	8 - 15	16 - 25	Default	Total
Total Non-Retail Exposure	**39,417,806**	**56,811,636**	**19,894,269**	**5,288,025**	**121,411,735**
Sovereign/Central Banks	-	-	-	-	-
Bank	17,309,780	6,548,488	371,843	0	24,230,112
Corporate (excluding Specialised Lending/ Financing)	22,108,026	50,263,147	19,522,425	5,288,024	97,181,623
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	43%	45%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	43%	40%	33%	44%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	20%	39%	163%	-	
Corporate (excluding Specialised Lending/ Financing)	18%	72%	98%	-	

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)

2020					**CIMB Bank**
(RM'000) Internal Risk Grading	**1 - 3**	**4 - 9**	**10 - 13**	**Default**	**Total**
Total Non-Retail Exposure	**36,926,501**	**58,273,965**	**20,866,153**	**3,375,664**	**119,442,282**
Sovereign/Central Banks	-	-	-	-	-
Bank	18,381,603	5,104,039	990	0	23,486,631
Corporate (excluding Specialised Lending/ Financing)	18,544,898	53,169,927	20,865,163	3,375,664	95,955,651
Exposure Weighted Average LGD					
Sovereign/Central Banks	-	-	-	-	
Bank	43%	45%	45%	45%	
Corporate (excluding Specialised Lending/ Financing)	44%	40%	35%	41%	
Exposure Weighted Average Risk Weight					
Sovereign/Central Banks	-	-	-	-	
Bank	20%	47%	207%	-	
Corporate (excluding Specialised Lending/ Financing)	19%	76%	115%	-	

- In September 2021, the rating label was changed. However, the 2021 rating buckets had been mapped to the 2020 rating buckets to make the disclosure sets comparable.

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
	2021		2020	
(RM'000) Exposure Class	Regulatory Expected Losses as at 31 December 2020	Actual Losses for the year ended 31 December 2021	Regulatory Expected Losses as at 31 December 2019	Actual Losses for the year ended 31 December 2020
Sovereign	-	-	-	-
Bank	11,060	0	14,330	(0)
Corporate	905,786	145,002	696,337	1,200,505
Mortgage/RRE Financing	204,351	47,535	168,251	118,051
HPE	83,025	114,484	80,321	84,059
QRRE	352,934	44,101	415,478	99,505
Other Retail	157,311	8,388	154,020	25,142
Total	**1,714,467**	**359,509**	**1,528,736**	**1,527,262**

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 or the relevant credit approving authority

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 2021 and 31 December 2020 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 2021 and 31 December 2020:

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2021				CIMB Bank
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,812,664		3,812,664	2,205,210
Transaction Related Contingent Items	3,836,262		1,918,131	1,053,532
Short Term Self Liquidating Trade Related Contingencies	933,765		186,753	121,290
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	3,644,158		3,644,281	147,306
Foreign Exchange Related Contracts				
One year or less	18,108,223	65,822	284,548	185,668
Over one year to five years	864,665	7,556	57,699	24,763
Over five years	-	-	-	-
Interest/Profit Rate Related Contracts				
One year or less	1,684,046	17,805	34,305	11,481
Over one year to five years	2,094,605	34,276	81,860	56,761
Over five years	749,713	25,916	92,076	75,072
Equity Related Contracts				
One year or less	14,819	221	1,110	1,122
Over one year to five years	227,163	16,546	34,719	49,446
Over five years	-	-	-	-
Commodity Contracts				
One year or less	16,312	62	1,693	1,619
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Credit Derivative 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	519,065,388	1,674,856	7,737,508	3,114,468

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2021				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	24,836,785		22,355,756	6,521,661
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	31		23	35
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	94,304,533		-	-
Unutilised credit card lines	24,017,219		5,787,897	2,271,220
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**698,210,350**	**1,843,060**	**46,031,023**	**15,840,655**

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2020				CIMB Bank
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes	3,572,842		3,572,842	2,334,091
Transaction Related Contingent Items	4,401,688		2,200,844	1,602,530
Short Term Self Liquidating Trade Related Contingencies	1,092,569		218,514	158,929
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	2,592,235		2,594,690	151,171
Foreign Exchange Related Contracts				
One year or less	15,157,774	125,507	323,413	240,971
Over one year to five years	1,083,265	20,939	91,857	46,723
Over five years	-	-	-	-
Interest/Profit Rate Related Contracts				
One year or less	2,194,459	32,484	48,476	52,040
Over one year to five years	3,620,864	83,577	179,646	100,512
Over five years	554,179	57,873	108,720	87,908
Equity Related Contracts				
One year or less	42,823	44	2,613	5,531
Over one year to five years	142,218	16,510	27,888	31,167
Over five years	-	-	-	-
Commodity Contracts				
One year or less	35,367	10,207	13,743	16,699
Over one year to five years	6,448	229	1,003	2,146
Over five years	-	-	-	-
Credit Derivative Contracts				
One year or less	-	-	-	-
Over one year to five years	8,650	97	530	397
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	477,372,911	2,685,731	8,217,303	3,945,552

CREDIT RISK *(continued)*

Off-Balance Sheet Exposures and CCR (continued)

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

2020				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	25,514,228		22,943,268	6,958,923
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	69,013		51,760	25,880
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	91,093,586		-	-
Unutilised credit card lines	25,335,705		6,260,298	2,443,668
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**653,890,824**	**3,033,198**	**46,857,409**	**18,204,838**

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			
	2021		2020	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	1,089,838	2,408,164	1,041,000	1,469,336
Client Intermediation Activities	20,500	-	20,750	49,785
Total	**1,110,338**	**2,408,164**	**1,061,750**	**1,519,121**
Credit Default Swaps	1,089,838	2,408,164	1,041,000	1,469,336
Total Return Swaps	20,500	-	20,750	49,785
Total	**1,110,338**	**2,408,164**	**1,061,750**	**1,519,121**

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 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/standard. GCC or the relevant credit approving authority 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, quoted 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 procedure 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 counterparty 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 greater 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 2021 and 31 December 2020:

Table 24: Disclosure on Credit Risk Mitigation

2021				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	60,536,350	-	-	-
Public Sector Entities	8,053,413	4,000,000	75	-
Banks, DFIs & MDBs	25,489,975	-	895,277	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,541,939	-	44,678	-
Corporate	118,051,284	3,878,371	11,793,045	13,839,244
Residential Mortgages/RRE Financing	71,301,940	-	2,606	-
Qualifying Revolving Retail	11,016,369	-	-	-
Hire Purchase	6,145,541	-	-	-
Other Retail	41,829,209	3,373,824	1,151,562	-
Securitisation	480,627	-	-	-
Equity	83	-	-	-
Higher Risk Assets	1,727,842	-	-	-
Other Assets	6,151,040	-	-	-
Defaulted Exposures	3,505,793	13,146	43,482	697,842
Total Exposures	**355,831,405**	**11,265,341**	**13,930,725**	**14,537,086**

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)

2020				**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	53,420,321	-	-	-
Public Sector Entities	4,037,632	4,000,000	77	-
Banks, DFIs & MDBs	24,466,294	-	1,069,049	-
Insurance Cos/Takaful Operators, Securities Firms & Fund Managers	1,773,555	-	50,897	-
Corporate	118,958,924	2,549,243	11,232,362	14,292,694
Residential Mortgages/RRE Financing	67,717,099	-	2,808	-
Qualifying Revolving Retail	11,562,895	-	-	-
Hire Purchase	7,140,015	-	-	-
Other Retail	42,123,634	381,507	1,145,416	-
Securitisation	372,539	-	-	-
Higher Risk Assets	1,798,277	-	-	-
Other Assets	5,947,617	-	-	-
Defaulted Exposures	3,475,386	3,500	115,615	922,769
Total Exposures	**342,794,188**	**6,934,250**	**13,616,226**	**15,215,463**

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 Banking Book

The following tables show the disclosure on Securitisation for Banking Book for 31 December 2021 and 31 December 2020:

Table 25: Disclosure on Securitisation for Banking Book

2021 (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	144,717	9,327	4,957	218

2020 (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	287,540	19,291	3,935	(5,216)

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

2021	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	475,916	-	-	-	475,916	-	-	-	-			95,183
Mezzanine	4,711	-	-	-	4,711	-	-	-	-			942
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)

2021												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	**480,627**	**-**	**-**	**-**	**480,627**	**-**	**-**	**-**	**-**	**-**	**-**	**96,125**

SECURITISATION *(continued)*

Disclosure on Securitisation under the SA for Banking Book

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

2020												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	364,532	-	-	-	364,532	-	-	-	-			72,906
Mezzanine	8,007	-	-	-	8,007	-	-	-	-			1,601
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)

2020												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	**372,539**	-	-	-	**372,539**	-	-	-	-	-	-	**74,508**

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

2021					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	4,975	-	17	12	372
Off-Balance Sheet	-	-	-	-	-
Sub-total	4,975	-	17	12	372
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)	4,975	-	17	12	372

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)

2020					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	9,949	-	87	99	2,337
Off-Balance Sheet	-	-	-	-	-
Sub-total	9,949	-	87	99	2,337
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)	**9,949**	**-**	**87**	**99**	**2,337**

MARKET RISK

Market risk is defined as fluctuations in the value of financial instruments due to changes 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 hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

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.

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 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, monitoring 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 processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks.

Operational Risk Management Oversight

The NFRM CoE, within GRD, provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks by the respective risk owners across the Group. Identified risks are rated using a defined risk rating methodology applied across the Group's Three Lines-of-Defence. The NFRM CoE also independently oversees the operational risk controls monitoring that resides within the first line-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.

The Group Operational & Resiliency Risk Management Committee (GORRC) is the senior management committee at the Group-level that is tasked to oversee the operational risk framework and policies to ensure they are appropriate for the size and complexity of the current and future operations of CIMB Group and make recommendation to the GRCC for approval. GORRC oversees and monitors the overall control environment of CIMB Group and reports to GRCC on material operational and reputational risks. Reputation risk is defined as current or prospective risk to earnings and capital arising from the adverse perception by the stakeholders about the Group's business practices, conduct or financial condition.

Operational Risk Management Approach

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisation-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 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;
- Key Risk Indicators;
- New Product Approval Process; and
- Scenario Analysis

These tools form part of the operational risk framework 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 rating 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 Bank 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 in Table 2.

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

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

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

The Group's and CIMB Bank's banking book equity investments are 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 2021 and 31 December 2020 is as follows:

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

(RM'000)	CIMB Bank	
	2021	2020
Realised gains/(loss)		
Shares, private equity funds and unit trusts	-	-
Unrealised gains		
Shares, private equity funds and unit trusts	75,714	45,882

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2021 and 31 December 2020:

Table 29: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2021		2020	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,727,842	2,591,763	1,798,277	2,697,325
Publicly traded	83	83	-	-
Total	**1,727,925**	**2,591,846**	**1,798,277**	**2,697,325**

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

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates.

IRRBB/RORBB Management

Our Group manages its banking book exposure of fluctuations in the interest rates/profit rates through policies established by GALCO. The GALCO is a board-delegated committee which reports to the GRCC. IRRBB/RORBB 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. With the support from ALM COE under Group Risk, and CBSM under Group Finance, our GALCO is responsible for steering the Group's balance sheet and hedging strategies, the overall interest rate risk/rate of return risk in the banking book profile and ensuring that such risk profile is within the established risk appetite. Interest rate risk/rate of return risk in the banking book exposure based on balance sheet forecasts and relevant risk drivers are projected to help in business and hedging strategies planning. Treasury & Markets, together with Capital & Balance Sheet Management, are 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 sensitivity:

  measures the long term impact of sudden interest rate/profit rate movement across the full maturity spectrum of our Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit 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/ profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

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

IRRBB Management (continued)

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

Table 30: IRRBB – Impact on Economic Value

(RM'000)	CIMB Bank	
	2021	2020
Currency	+100bps Increase/(Decline) in Economic Value (Value in RM Equivalent)	
Ringgit Malaysia	(2,318,319)	(1,942,336)
US Dollar	(31,881)	8,620
Thai Baht	(7)	(8)
Singapore Dollar	(341,018)	(211,197)
Others	(41,188)	(30,993)
Total	**(2,732,413)**	**(2,175,914)**

- Earnings-at-Risk:

  is the potential impact of interest/profit rate changes 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/profit rate generally affect reported earnings through changes in the Bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities. Our Group's EAR is taking into consideration forecasts on new business generation and product pricing strategies.

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

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

IRRBB Management (continued)

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

Table 31: IRRBB – Impact on Earnings

(RM'000)	CIMB Bank	
	2021	2020
Currency	+100bps Increase/(Decline) in Earnings (Value in RM Equivalent)	
Ringgit Malaysia	(23,546)	62,728
US Dollar	(231,466)	(159,023)
Thai Baht	157	197
Singapore Dollar	(32,523)	(119,574)
Others	56,187	66,634
Total	**(231,191)**	**(149,038)**

[END OF SECTION]