Basel II Pillar 3 Disclosures for 2011

- CIMB Bank Berhad

Abbreviations

A-IRB Approach	:	Advanced Internal Ratings Based Approach
BAFIA	:	Banking and Financial Institutions Act 1989
BI	:	Banking Institutions
BNM	:	Bank Negara Malaysia
BRC	:	Board Risk Committee
BSMC	:	Balance Sheet Management Committee
CaR	:	Capital-at-Risk
CBCC	:	Consumer Bank Credit Committee
CBSM	:	Capital and Balance Sheet Management
CBTM	:	Corporate Banking, Treasury and Markets
CCR	:	Counterparty Credit Risk
CIMBBG	:	CIMB Bank, CIMB Islamic Bank Berhad, CIMBTH, CIMB Bank PLC (Cambodia) and CIMB Factorlease Berhad
CIMBIBG	:	Consist of CIMB Investment Bank Berhad and CIMB Futures Sdn Bhd
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 RWCAF to include its wholly owned offshore banking subsidiary company)
CIMB Group or the Group	:	Collectively CIMBBG, CIMBIBG and CIMB Islamic as described within this Report
CIMB IB	:	CIMB Investment Bank Berhad
CIMB Islamic	:	CIMB Islamic Bank Berhad
CRM	:	Credit Risk Mitigants
CSA	:	Credit Support Annexes, International Swaps and Derivatives Association Agreement
DFIs	:	Development Financial Institutions
EAD	:	Exposure At Default
EaR	:	Earnings-at-Risk
ECAIs	:	External Credit Assessment Institutions
EL	:	Expected Loss
EP	:	Eligible Provision
EVE	:	Economic Value of Equity
EWRM	:	Enterprise Wide Risk Management
Group EXCO	:	Group Executive Committee
F-IRB Approach	:	Foundation Internal Ratings Based Approach

Abbreviations (Continued)

Fitch	:	Fitch Ratings
GC	:	Group Credit
GRC	:	Group Risk Committee
GRD	:	Group Risk Division
GRM	:	Group Risk Management
GWBRC	:	Group Wholesale Bank Risk 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
MATs	:	Management Action Triggers
Moody’s	:	Moody’s Investors Service
MTM	:	Mark-to-Market and/or Mark-to-Model
ORC	:	Operational Risk Committee
ORM	:	Operational Risk Management
ORMD	:	Operational Risk Management Department
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
RCC	:	Regional Credit Committee
RCM	:	Regional Credit Management
RCSA	:	Risk and Control Self Assessments
RLRC	:	Regional Liquidity Risk Committee
RMA	:	Risk Management & Analytics
RMO	:	Risk Middle Office
RWA	:	Risk Weighted Assets
RWCAF	:	Risk Weighted Capital Adequacy Framework (Basel II)

Abbreviations (Continued)

RWCR	: Risk Weighted Capital Ratio
S&P	: Standard & Poor's
SA	: Standardised Approach
SBCC	: Singapore Business Credit Committee
SMEs	: Small and Medium Enterprises

BASEL II PILLAR 3 DISCLOSURES FOR 2011

Overview of Basel II and Pillar 3

Basel II Regulatory Capital Framework seeks to increase the risk sensitivity in capital computations and prescribed a number of different approaches to risk calculation that allows the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the bank'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. Since 1 July 2010, CIMB Bank and its subsidiaries, CIMB IB and its subsidiaries and CIMB Islamic (collectively known as 'CIMB Group' or the 'Group' for purpose of this disclosure) have been applying 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.

Subsequent to the transition to Basel II IRB Approach in 2010, and following a refinement in the interpretation of the guideline, management is of the opinion that it is proved to be impractical to apply IRB Approach due to lack of IRB assets in CIMBIBG. In November 2011, the Group has adopted the SA for CIMBIBG to better reflect the nature of the underlying business activities. The change does not in any way affect how business is conducted at CIMBIBG and will in fact; maintain the efficient employment of capital at the Group. For purposes of this disclosure, CIMBIBG has re-presented the credit RWA under the SA for the year ended 31 December 2010 to provide better representation on comparative information.

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. In light of BNM's guidelines on the RWCAF – Internal Capital Adequacy Assessment Process (Pillar 2), a comprehensive self assessment to evaluate existing capital and risk management practices against the expectations set forth in the BNM's guidelines was conducted and development of action plans to close any gaps has been submitted to BNM in June 2011.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosure requirements aimed to encourage market discipline in a sense that every market participants can assess key pieces of information attributed to the capital adequacy framework of financial institutions. These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF – Disclosure Requirements (Pillar 3).

Overview of Basel II and Pillar 3 (Continued)

The qualitative disclosures in this Report 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. These disclosures are also available on the Group's corporate website (www.cimb.com). The consolidated disclosures for CIMB Bank and CIMB IB are also available in CIMBGH Group's 2011 annual report and corporate website.

All these disclosures published are for the year ended 31 December 2011. The basis of consolidation for financial accounting purposes is described in the 2011 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements with the exception of subsidiaries engaged in non-financial activities which have been excluded from the regulatory consolidation and have been deducted from regulatory capital. 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 Report, the disclosures presented within will be representative of the CIMB Bank entity disclosures only.

The term 'credit exposure' as used in this report is a prescribed definition by BNM based on the RWCAF – 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 2011 financial statements as the credit risk exposure definition within the ambit of accounting standards represent the balance outstanding as at balance sheet date and do not take into account the expected undrawn contractual commitments. Therefore, information within this Report is not directly comparable to that of the 2011 financial statements for CIMB Bank.

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

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

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RISK MANAGEMENT OVERVIEW

Risk management is an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, GRD is involved at the early stage of the risk taking process by providing independent inputs such as the relevant valuations, credit evaluations, new product assessments and CaR quantifications. These inputs enable business units to align their business strategies with the Group's risk appetite.

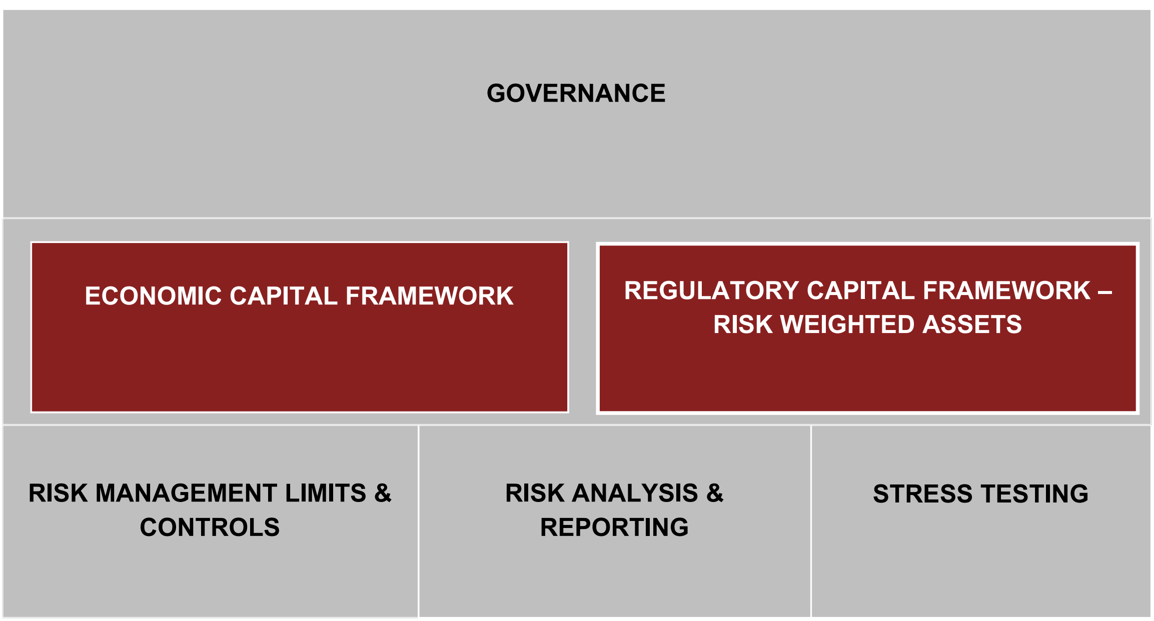
The objectives of CIMB Group's risk management activities are to:

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

Enterprise Wide Risk Management Framework

CIMB Group employs the EWRM framework to manage its risk and opportunity effectively. It is an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group implemented through various Board appointed committees.

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



RISK MANAGEMENT OVERVIEW (Continued)

Enterprise Wide Risk Management Framework (Continued)

The framework is centered on resilient risk and capital management framework which requires the Group to identify, evaluate, measure, mitigate and monitor/report its material risks, and relate these to its capital requirements and at all times ensure capital adequacy. The Group employs CaR as the common and consistent measurement of risk across CIMB Group. The CaR framework provides the basis of allocating economic capital within CIMB Bank. It provides a benchmark to facilitate the comparison of risk across business units and risk types. This enables CIMB Bank to consider both the downside risk, for risk protection and upside potential, for earnings growth. Hence, allowing the Group to measure the performance of each business on an absolute basis (economic profit) and relative percentage return basis (RAROC) against CIMB Bank's costs of capital.

Strong risk governance holds the EWRM together. The Board of Directors through the BRC is ultimately responsible for the implementation of EWRM. GRD has been principally tasked to assist the various committees and undertakes the performance of the day-to-day risk management functions of the EWRM. The implementation of the EWRM is subjected to the independent assurance and assessment by the Group Internal Audit.

The foundation of the EWRM is made up of three major building blocks, which are Limits and Controls, Analysis and Reports, and Stress Testing. Limits constitute the key mechanism to control allowable risk taking activities and are regularly reviewed in the face of changing business needs, market conditions, and regulatory changes. Timely reports and meaningful analysis of risk positions are critical to enable the Board and its management to exercise control over all exposures and make informed business decisions.

Stress testing involves identifying possible events or future changes in the financial and economic conditions that could have unfavourable effects on CIMB Bank's exposure and the assessment of CIMB Bank's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses as well as the sufficiency of its liquidity surplus and reserves. Steps are then identified to manage risk and conserve capital. Group wide stress test is performed semi-annually while stress tests on selected portfolios are performed on an ad hoc basis.

Risk Governance

The BRC assumes the ultimate responsibility on behalf of the boards of directors for the supervision of risk management within CIMB Group. In line with best practices, the BRC determines the risk policy objectives and also decides on the yearly allocation of risk capital to support all risks taken by the Group.

RISK MANAGEMENT OVERVIEW (Continued)

Enterprise Wide Risk Management Framework (Continued)

GRC is the primary delegated authority for managing risk on a group-wide basis and reports directly to BRC. Sub-committees, namely GWBRC, CBCC, RCC, SBCC, RLRC and ORC, delegated from the GRC are set up to manage and control specific risk areas. In relation to IRRBB, GRC is further assisted by BSMC that is responsible for recommending and executing strategies and hedging proposals for the banking book as well as ensuring the Group's interest rate risk profile is within the risk limits/MATs endorsed by GRC. With this set-up, the Board and BRC through the various risk committees and BSMC maintain oversight of various risks across CIMB Bank.

Each committee is chaired by a director respectively. The composition of the committees includes senior management and individuals from business divisions as well as divisions which are independent from the business units. BRC reviews the composition of these committees except for BSMC, to reflect a balance of experienced independent and non-independent individuals with the necessary skills and qualifications to carry out the roles and responsibilities of the relevant committee.

The chart below sets out the organisational structure of the risk management committees overseeing risk management activities and an overview of the respective committee's roles and responsibilities:

RISK MANAGEMENT OVERVIEW (Continued)

Risk Governance (Continued)

BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, capital allocation and asset liability management processes across the Group

Group Wholesale Bank Risk Committee (GWBRC)

- Oversee Group's exposures to market risks
- Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments
- Credit approval authority for Malaysian centric cases
- Assign and review the Malaysian Sectorial Exposures
- Review and approve Global Banking Institutions Limits for Malaysian centric banking groups

Consumer Bank Credit Committee (CBCC)

- Credit approval authority for Malaysian centric cases
- Ensuring Group overall loan portfolio meets regulatory guidelines and approved internal policies and procedures
- Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking

Regional Credit Committee (RCC)

- Review and approve or concur non-Malaysian centric cases
- Ensuring Group overall loan portfolio meets regulatory guidelines and approved internal policies and procedures
- Review and approve or concur all non-Malaysian Interbank Limit, Global FI Counterparty Limits and Global Country Limit

Singapore Business Credit Committee (SBCC)

- Credit approval authority for non-Malaysian centric cases
- Ensuring Group overall loan portfolio meets regulatory guidelines and approved internal policies and procedures

Regional Liquidity Risk Committee (RLRC)

- Oversee the Group's overall liquidity management
- Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner

Operational Risk Committee (ORC)

- Oversee operational risk management in terms of best practices, policies and risk tolerance.
- Review controls and action plans to address identified risks
- Oversight on all Business Continuity Management (BCM)/Disaster Recovery (DR) activities

Balance Sheet Management Committee (BSMC)

- Review balance sheet positions
- Recommend and executing balance sheet strategies and hedging
- Ensure risk profile is kept within the established risk appetite/limits/MAT

RISK MANAGEMENT OVERVIEW (Continued)

Enterprise Wide Risk Management Framework (Continued)

The 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, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across the Group. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities within the Group.

The roles of Group Risk Division

The primary oversight body for risk management activities is GRD, comprising GRM, GC and RCM, which are independent of business units and assist the Group's management and the various risk committees in monitoring and controlling the Group's risk exposures.

The key responsibilities of GRD are to identify, evaluate, analyse, monitor and review the principal risks to which the Group is exposed. It also helps to create shareholder value through proper allocation of risk capital, development of risk-based pricing framework and facilitate development of new businesses and products. The Head of GRD also maintains an oversight of the functions performed by the risk management units in the asset management and insurance subsidiaries.

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

- *Group Risk Management*

  GRM monitors risk-taking activities, initiates and proposes risk policies, risk measurement methodologies, risk limits and risk capital allocation, performs independent review of loan assets quality and loan recovery plan, coordinates new products deployments and develops the risk-based product pricing framework for loan portfolios.

  In propagating and ensuring compliance to the market risk framework, GRM reviews treasury trading strategies, analyses positions and activities vis-à-vis changes in the financial market and performs mark-to-market as part of financial valuation.

RISK MANAGEMENT OVERVIEW (Continued)

The roles of Group Risk Division (Continued)

- *Group Risk Management (Continued)*

  GRM is also tasked with the co-ordination of the Group's effort towards implementation of the Basel II framework in compliance with the International Convergence of Capital Measurement and Capital Standards prescribed by the Bank of International Settlements and as adopted by BNM. In this regard, GRM develops, implements and validates all internal rating and scoring models and closely monitors the usage of the rating and scoring systems to ensure relevancy to current market conditions and integrity of the ratings.

  GRM adds value to business propositions by providing advice on market valuations, CaR quantifications and independent risk assessment. This enables the business units to prepare for the potential risks associated with the new transactions or business ventures and consequently, address the management and mitigation of such risks from the early stage of the proposition. The business units gain understanding of the risk-reward equation of the proposition, consider the risk factors in the pricing decision, and ensure that the projected returns from the business propositions commensurate with the risks taken. In order to ensure the independence of GRM in such an arrangement, GRM's remuneration is not linked to the success of particular transactions or deals.

- *Group Credit*

  GC carries out independent assessments and evaluations of all credit risk related proposals originating from the various business units such as loans and advances, fixed income, derivatives, sales and trading, prior to submission to the CBCC, GWBRC, the EXCO or Board for approval. GC ensures proper grouping of entities and counterparties under the single customer framework. GC also reviews the Bank's holdings of all fixed income assets issued by Malaysian companies and recommends the internal ratings for GWBRC's approval.

- *Regional Credit Management*

  A regional credit platform was established with a primary objective of enhancing efficiency and effectiveness of the credit oversight as well as credit approval process for all non-Malaysian centric Corporate and Financial Institutions at the CIMB Group level. The platform includes 2 credit committees, SBCC for smaller-sized exposures and RCC for larger regional exposures. All credit proposals submitted to the 2 credit committees for approval/concurrence are routed through RCM for independent assessment and due recommendation to the credit committees.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk, Operational Risk and Interest Rate Risk in the Banking Book.

CAPITAL MANAGEMENT

Key Capital Management Principles

The key driving principles of CIMBGH Group'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 CIMBGH Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

The Bank sets an internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, CIMB Bank considers many critical factors, including, amongst others, credit rating implication, current and future operating environment and peers comparisons. The capital management process is centrally supervised by the Group EXCO, GRC and BRC who periodically assess and review the capital requirements and source of capital across CIMB Bank, taking into account all ongoing and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Available capital is allocated across competing demands, guided by the predetermined policies, and to ensure regulatory compliance. Monthly updates on capital position of the CIMBGH Group and the Group are also provided to the Board of Directors.

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios for CIMB Bank as at 31 December 2011 and 31 December 2010. The relevant entities under the Group issue various capital instruments pursuant to the respective regulatory guidelines, including tier 2 subordinated debt, innovative and non-innovative tier 1 hybrid securities that qualify as capital pursuant to the RWCAF issued by BNM. Notes 28 to 32 in CIMB Bank separate financial statements show the summary information of terms and conditions of the main features of capital instruments.

CAPITAL MANAGEMENT (Continued)

Capital Structure and Adequacy (Continued)

Table 1: Capital Position

(RM'000)	CIMB Bank	
	2011	2010
Tier 1 Capital		
Paid-up share capital + Share Premium	8,798,102	8,798,102
Non-Innovative Tier 1 instruments	1,200,000	1,200,000
Innovative Tier 1 instruments	1,635,400	1,616,700
Statutory Reserve	4,383,306	4,383,306
Retained Earnings / Profits	2,895,312	2,946,010
General Reserve Fund	245,282	-
Interim Dividend	-	-
Minority Interest	-	-
Less: Deductions from Tier 1 Capital		
Goodwill	3,555,075	3,555,075
Eligible Tier 1 Capital	**15,602,327**	**15,389,043**
Tier 2 Capital		
Subordinated Debt Capital	5,000,000	3,500,000
Cumulative Preference Shares	29,740	29,740
General Provision	619,903	332,130
Surplus of EP over EL	359,190	404,989
Tier 2 Capital Subject to Limits	6,008,833	4,266,859
Less: Deductions from Tier 2 capital	3,626,000	3,316,142
Investment in subsidiaries	3,208,833	2,998,050
Investment in capital instruments of other BI	347,051	247,976
Other Deductions	70,116	70,116
Eligible Tier 2 Capital	**2,382,833**	**950,717**
Total Eligible Capital	**17,985,160**	**16,339,760**

CAPITAL MANAGEMENT (Continued)

Capital Structure and Adequacy (Continued)

Table 1: Capital Position (Continued)

(RM'000)	CIMB Bank	
	2011	2010
RWA		
Credit	83,785,262	87,236,173
Credit RWA Absorbed by PSIA	-	-
Market	8,105,302	9,176,183
Operational	9,949,736	9,604,531
Large Exposure for Equity Holdings	400,148	360,424
Total RWA	**102,240,448**	**106,377,311**
Capital Adequacy Ratios		
Tier 1 Capital Adequacy Ratio (%)	15.26%	14.47%
Total Capital Adequacy Ratio (%)	17.59%	15.36%
Proposed Dividends	(827,000)	(600,903)
RWCR After Dividends		
Core Capital Ratio	14.45%	13.90%
RWCR	16.78%	14.80%

RWCR after dividends increased from 14.80% to 16.78% mostly due to the new issuance of subordinated debt by CIMB Bank amounting to RM1.5 billion and the drop in Credit RWA. The drop in the Credit RWA was mostly attributable to the unwinding of Restricted Profit Sharing Investment Accounts arrangement on CIMB Islamic's hire purchase portfolio where it was funded previously by CIMB Bank. The decrease in Market RWA of RM1.07 billion between December 2010 and December 2011 was mainly due to the decrease in interest rate risk, following the increase in hedges of the callable/puttable range accrual interest rate swaps in the option book in 2011.

CAPITAL MANAGEMENT (Continued)

The tables below show the RWA under various exposure classes under the relevant approach and apply 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

2011					CIMB Bank
RM'000) Exposure Class	**Net 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	29,256,760	29,256,760	143,433	143,433	11,475
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	816,742	816,742	163,348	163,348	13,068
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	4,118,322	3,706,850	3,741,086	3,741,086	299,287
Regulatory Retail	19,093,786	14,599,887	11,182,925	11,182,925	894,634
Residential Mortgages	3,141,601	3,141,601	1,126,885	1,126,885	90,151
Higher Risk Assets	1,230,937	1,230,937	1,846,405	1,846,405	147,712
Other Assets	4,260,161	4,260,161	2,290,515	2,290,515	183,241
Securitisation	750,581	750,581	149,810	149,810	11,985
Total for SA	**62,668,890**	**57,763,519**	**20,644,408**	**20,644,408**	**1,651,553**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	26,827,076	26,827,076	7,030,377	7,030,377	562,430
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	55,739,518	55,739,518	28,603,219	28,603,219	2,288,258
Residential Mortgages	30,710,235	30,710,235	11,693,248	11,693,248	935,460
Qualifying Revolving Retail	8,383,056	8,383,056	6,357,632	6,357,632	508,611
Hire Purchase	5,301,681	5,301,681	3,880,292	3,880,292	310,423
Other Retail	3,609,531	3,609,531	2,002,076	2,002,076	160,166
Securitisation	-	-	-	-	-
Total for IRB Approach	**130,571,097**	**130,571,097**	**59,566,843**	**59,566,843**	**4,765,347**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**193,239,987**	**188,334,615**	**83,785,262**	**83,785,262**	**6,702,821**

CAPITAL MANAGEMENT (Continued)

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

2011					CIMB Bank
RM'000) Exposure Class	Net 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	**400,148**	**400,148**	**400,148**	**400,148**	**32,012**
Market Risk (SA)					
Interest Rate Risk			6,160,998	6,160,998	492,880
Foreign Currency Risk			720,575	720,575	57,646
Equity Risk			727,377	727,377	58,190
Commodity Risk			21,147	21,147	1,692
Options Risk			475,204	475,204	38,016
Total Market Risk			**8,105,302**	**8,105,302**	**648,424**
Operational Risk (BIA)			**9,949,736**	**9,949,736**	**795,979**
Total RWA and Capital Requirement			**102,240,448**	**102,240,448**	**8,179,236**

CAPITAL MANAGEMENT (Continued)

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

2010					CIMB Bank
(RM'000) Exposure Class	Net 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	18,619,868	18,619,868	100,868	100,868	8,069
Public Sector Entities	286	286	57	57	5
Banks, DFIs & MDBs	10,117	10,117	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	5,429,538	4,824,570	4,804,319	4,804,319	384,346
Regulatory Retail	16,290,434	12,431,234	9,298,335	9,298,335	743,867
Residential Mortgages	1,880,087	1,879,835	689,376	689,376	55,150
Higher Risk Assets	1,086,689	1,086,689	1,630,033	1,630,033	130,403
Other Assets	6,164,132	6,164,132	3,053,593	3,053,593	244,287
Securitisation	770,554	770,554	161,342	161,342	12,907
Total for SA	**50,251,704**	**45,787,284**	**19,737,924**	**19,737,924**	**1,579,034**
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	20,897,182	20,897,182	4,806,684	4,806,684	384,535
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	54,003,242	54,003,242	31,740,943	31,740,943	2,539,275
Residential Mortgages	27,160,877	27,160,877	10,064,589	10,064,589	805,167
Qualifying Revolving Retail	8,041,086	8,041,086	6,820,952	6,820,952	545,676
Hire Purchase	10,795,475	10,795,475	8,779,537	8,779,537	702,363
Other Retail	4,105,271	4,105,271	1,464,888	1,464,888	117,191
Securitisation	-	-	-	-	-
Total for IRB Approach	**125,003,133**	**125,003,133**	**63,677,593**	**63,677,593**	**5,094,207**
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	**175,254,837**	**170,790,417**	**87,236,173**	**87,236,173**	**6,978,894**

CAPITAL MANAGEMENT (Continued)

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

2010					CIMB Bank
(RM'000) Exposure Class	Net 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	**360,424**	**360,424**	**360,424**	**360,424**	**28,834**
Market Risk (SA)					
Interest Rate Risk			6,802,547	6,802,547	544,204
Foreign Currency Risk			573,218	573,218	45,857
Equity Risk			641,021	641,021	51,282
Commodity Risk			-	-	-
Options Risk			1,159,398	1,159,398	92,752
Total Market Risk			9,176,183	9,176,183	734,095
Operational Risk (BIA)			9,604,531	9,604,531	768,363
Total RWA and Capital Requirement			**106,377,311**	**106,377,311**	**8,510,185**

CAPITAL MANAGEMENT (Continued)

Internal Capital Adequacy Assessment Process (ICAAP)

The economic capital framework together with the regulatory capital framework are the main considerations in CIMB Group's ICAAP Framework.

CIMB Group has implemented its internal economic capital framework since 2001, whereby capital is allocated to all business units for its risk-taking purposes. The economic capital framework is being refined to include other risks in line with the requirements of BNM's RWCAF – ICAAP (Pillar 2).

CIMB Group's ICAAP Framework comprises 5 main elements, namely:

- **Governance by the Board and Senior Management:** The Board and Senior Management are responsible to ensure that capital levels in the Group are proportionate to the level and complexity of the inherent material risks in the Group.
- **Comprehensive Risk Assessment:** Comprehensive risk assessment involves considering the potential financial or reputational impact of material risks on the Group. Material risks can be measureable or non-measurable and are identified, evaluated, measured, mitigated and monitored/reported on a regular basis according to the Group's risk management process.
- **Economic Capital Computation and Allocation**: Each year, capital will be allocated to each business unit based on the respective business plan, budgeted profit and targeted RAROC.
- **Sound Capital Management:** The internal capital targets for the Group are recommended and set by the Group EXCO and approved by the relevant Board of Directors on an annual basis. CIMB Group Holdings Berhad is required to maintain a target Double Leverage Ratio which is approved by the Group EXCO and the Board of CIMB Group Holdings Berhad.
- **Capital Adequacy Assessment:** In assessing its regulatory and economic capital adequacy, the Group adopts several methodologies, including stress test which are integrated into the Group's risk management process. Each methodology used to assess and quantify material risks are validated by an independent team and periodically reviewed by Group Internal Audit. Capital utilisation and the Group's overall regulatory and economic capital positions are monitored and reported to the GRC and BRC on a monthly basis.

CREDIT RISK

Credit risk, is defined as arising from losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group. It arises primarily from lending activities through loans as well as commitments to support clients' obligations to third parties, i.e. guarantees. In sales and trading activities, credit risk arises from the possibility that the Group's counterparties will not be able or willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

Credit Risk Management

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

The credit approving authority is established and documented in the Group's credit policy. The Group adopts a multi-tiered credit approving authority spanning various delegated authorities and various credit committees. The credit committees namely, SBCC, CBCC, and RCC and GWBRC 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 Group's business units. The Committees also ensure the overall loan portfolio meets the guidelines of the regulatory authorities and adherence to the approved credit policies and procedures.

All credit applications are independently evaluated by GC/RCM prior to submission to the relevant committees for approval. Adherence to and compliance with single customer, country and global counterparty limits as well as the assessment of the quality of collateral are approaches adopted to address concentration risk to any large sector/industry, or to a particular counterparty group or individual.

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

CREDIT RISK (Continued)

Credit Risk Management (Continued)

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for

non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

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

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

In addition to the above, the Group also employs CaR to measure and manage credit portfolio risk due to credit events. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio CaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries. In estimating the portfolio CaR, the Group uses 25,000 simulation numbers at 99% confidence level. The generated portfolio CaR, and any shortfall in the provision for defaulted accounts make up to the total Credit CaR utilisation to be compared against the allocated capital. The CaR usage versus pre-determined limit is monitored by RMA within GRM. Any exception will be highlighted to Management in accordance with the Group's exception management procedures. These are summarised and reported to GRC and BRC on a monthly basis.

CREDIT RISK (Continued)

Summary of Credit Exposures

Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed.

Table 3: Geographic Distribution of Credit Exposures

2011					CIMB Bank
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	27,988,558	1,268,202	-	-	29,256,760
Bank	23,883,729	2,185,927	-	1,574,163	27,643,819
Corporate	50,774,591	8,137,703	-	945,546	59,857,840
Mortgage	31,010,527	2,841,308	-	-	33,851,836
HPE	5,301,681	-	-	-	5,301,681
QRRE	8,383,056	-	-	-	8,383,056
Other Retail	20,342,610	2,350,339	-	10,368	22,703,317
Other Exposures	5,984,770	193,452	-	63,456	6,241,679
Total Gross Credit Exposure	**173,669,523**	**16,976,931**	**-**	**2,593,533**	**193,239,987**

2010					CIMB Bank
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	18,252,261	367,606	-	-	18,619,868
Bank	15,538,088	3,199,670	-	2,169,828	20,907,586
Corporate	52,446,073	5,965,868	-	1,020,838	59,432,779
Mortgage	27,515,720	1,525,244	-	-	29,040,965
HPE	10,795,475	-	-	-	10,795,475
QRRE	8,041,086	-	-	-	8,041,086
Other Retail	19,022,684	1,364,034	-	8,986	20,395,705
Other Exposures	7,797,349	155,696	-	68,329	8,021,374
Total Gross Credit Exposure	**159,408,736**	**12,578,120**	**-**	**3,267,982**	**175,254,837**

CREDIT RISK (Continued)

Summary of Credit Exposures (Continued)

Gross credit exposures by sector

The following tables represent the Group's credit exposure analysed by sector.

Table 4: Distribution of Credit Exposures by Sector

2011											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, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	-	-	-	720,394	-	-	419,276	18,915,641	9,201,448	-	29,256,760
Bank	-	-	-	-	-	-	-	27,615,837	27,982	-	27,643,819
Corporate	2,054,101	1,179,509	7,061,119	2,681,160	5,080,540	5,886,026	11,047,018	17,265,460	3,980,248	3,622,659	59,857,840
Mortgage	-	-	-	-	-	-	-	-	-	33,851,836	33,851,836
HPE	-	-	-	-	-	-	-	-	-	5,301,681	5,301,681
QRRE	-	-	-	-	-	-	-	-	-	8,383,056	8,383,056
Other Retail	51,979	7,896	243,383	6,428	270,085	709,426	75,096	396,553	114,647	20,827,824	22,703,317
Other Exposures	-	-	-	-	-	-	-	722,922	137,918	5,380,839	6,241,679
Total Gross Credit Exposure	**2,106,080**	**1,187,405**	**7,304,502**	**3,407,982**	**5,350,625**	**6,595,452**	**11,541,391**	**64,916,413**	**13,462,243**	**77,367,895**	**193,239,987**

**Others include Retail exposures and exposures which are not elsewhere classified.*

CREDIT RISK (Continued)

Summary of Credit Exposures (Continued)

Gross credit exposures by sector

Table 4: Distribution of Credit Exposures by Sector (Continued)

2010											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, Real Estate and Business Activities	Education, Health and Others	Others*	Total
Sovereign	-	-	-	-	-	-	370,833	9,735,796	8,513,239	-	18,619,868
Bank	-	-	-	-	-	-	-	20,907,586	-	-	20,907,586
Corporate	2,526,013	734,813	8,194,514	3,534,761	6,162,441	6,509,145	9,232,040	14,597,076	1,871,682	6,070,294	59,432,779
Mortgage	-	-	-	-	-	-	-	-	-	29,040,965	29,040,965
HPE	-	-	-	-	-	-	-	-	-	10,795,475	10,795,475
QRRE	-	-	-	-	-	-	-	-	-	8,041,086	8,041,086
Other Retail	51,854	8,637	234,774	8,988	310,442	807,945	82,697	253,109	113,409	18,523,851	20,395,705
Other Exposures	-	-	-	-	-	-	-	650,113	151,331	7,219,930	8,021,374
Total Gross Credit Exposure	**2,577,868**	**743,450**	**8,429,288**	**3,543,748**	**6,472,883**	**7,317,090**	**9,685,570**	**46,143,679**	**10,649,661**	**79,691,601**	**175,254,837**

*****Others include Retail exposures and exposures which are not elsewhere classified.

CREDIT RISK (Continued)

Summary of Credit Exposures (Continued)

Gross credit exposures by residual contractual maturity

Table 5: Distribution of Credit Exposures by Residual Contractual Maturity

2011				CIMB Bank
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	14,038,271	7,601,848	7,616,641	29,256,760
Bank	13,321,220	10,907,131	3,415,467	27,643,819
Corporate	22,887,387	20,946,498	16,023,955	59,857,840
Mortgage	25,623	426,995	33,399,218	33,851,836
HPE	111,571	2,370,464	2,819,646	5,301,681
QRRE	8,383,056	-	-	8,383,056
Other Retail	1,703,346	3,284,276	17,715,696	22,703,317
Other Exposures	206,233	372,714	5,662,731	6,241,679
Total Gross Credit Exposure	**60,676,707**	**45,909,925**	**86,653,354**	**193,239,987**

2010				CIMB Bank
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	8,189,193	6,708,287	3,722,388	18,619,868
Bank	13,640,880	5,020,608	2,246,097	20,907,586
Corporate	23,856,914	22,618,671	12,957,195	59,432,779
Mortgage	24,435	422,039	28,594,490	29,040,965
HPE	198,101	3,758,867	6,838,507	10,795,475
QRRE	8,041,086	-	-	8,041,086
Other Retail	3,090,565	941,625	16,363,515	20,395,705
Other Exposures	27,714	601,593	7,392,067	8,021,374
Total Gross Credit Exposure	**57,068,887**	**40,071,691**	**78,114,260**	**175,254,837**

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing

Past Due But Not Impaired

A loan 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 can lead to a financial asset being past due but not impaired. Therefore, loans 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 or both, overdue.

The following tables provide an analysis of the outstanding balances as at 31 December 2011 and 31 December 2010 which were past due but not impaired by sector and geographical respectively.

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

(RM'000)	CIMB Bank	
	2011	2010
Primary Agriculture	7,883	33,573
Mining and Quarrying	966	2,111
Manufacturing	38,158	149,352
Electricity, Gas and Water Supply	-	2,763
Construction	96,241	210,097
Wholesale and Retail Trade, and Restaurants and Hotels	123,856	193,433
Transport, Storage and Communication	14,211	55,511
Finance, Insurance, Real Estate and Business Activities	99,061	111,852
Education, Health and Others	26,105	49,354
Others*	8,699,271	9,661,686
Total	**9,105,752**	**10,469,732**

**Others include Retail exposures and exposures which are not elsewhere classified.*

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing (Continued)

Past Due But Not Impaired (Continued)

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

(RM'000)	CIMB Bank	
	2011	2010
Malaysia	9,102,119	10,454,962
Singapore	3,633	14,770
Thailand	-	-
Other Countries	-	-
Total	**9,105,752**	**10,469,732**

Impaired Loans

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

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

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

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

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing (Continued)

Impaired Loans (Continued)

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

The following tables provide an analysis of the outstanding balances as at 31 December 2011 and 31 December 2010 which were impaired by sector and geographical respectively.

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

(RM'000)	CIMB Bank	
	2011	2010
Primary Agriculture	25,067	21,657
Mining and Quarrying	33,287	9,865
Manufacturing	417,177	544,118
Electricity, Gas and Water Supply	-	348,575
Construction	391,005	401,565
Wholesale and Retail Trade, and Restaurants and Hotels	421,840	447,717
Transport, Storage and Communication	807,229	791,068
Finance, Insurance, Real Estate and Business Activities	296,595	239,169
Education, Health and Others	37,746	55,964
Others*	1,725,291	1,310,024
Total	**4,155,237**	**4,169,722**

**Others include Retail exposures and exposures which are not elsewhere classified.*

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

(RM'000)	CIMB Bank	
	2011	2010
Malaysia	4,112,576	4,110,656
Singapore	42,661	59,066
Thailand	-	-
Other Countries	-	-
Total	**4,155,237**	**4,169,722**

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing (Continued)

Impaired Loans (Continued)

Table 8: Individual Impairment and Portfolio Impairment Allowances by Sector

(RM'000)	CIMB Bank			
	2011		2010	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	10,045	15,376	9,087	23,972
Mining and Quarrying	29,158	2,854	5,538	3,941
Manufacturing	401,995	91,172	369,333	136,006
Electricity, Gas and Water Supply	4,420	5,428	27,174	2,899
Construction	178,424	75,382	170,346	93,477
Wholesale and Retail Trade, and Restaurants and Hotels	279,732	166,627	208,764	191,694
Transport, Storage and Communication	584,729	41,433	562,831	42,927
Finance, Insurance, Real Estate and Business Activities	149,388	73,454	214,040	113,406
Education, Health and Others	18,302	22,519	20,182	24,566
Others*	34,484	1,082,822	12,349	1,221,075
Total	**1,690,677**	**1,577,067**	**1,599,644**	**1,853,963**

**Others include Retail exposures and exposures which are not elsewhere classified.*

Table 9: Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution

(RM'000)	CIMB Bank			
	2011		2010	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	1,673,836	1,566,617	1,584,387	1,842,170
Singapore	16,841	10,450	15,256	11,793
Thailand	-	-	-	-
Other Countries	-	-	-	-
Total	1,690,677	1,577,067	**1,599,643**	**1,853,963**

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing (Continued)

Impaired Loans (Continued)

Table 10: Charges for Individual Impairment Provision and Write Offs During the Year

(RM'000)	CIMB Bank			
	2011		2010	
	Charges/ Write Back	Write-Off	Charges/ Write Back	Write-Off
Primary Agriculture	1,012	56	(60,067)	431
Mining and Quarrying	22,907	-	2	-
Manufacturing	39,042	3,280	(43,502)	110,446
Electricity, Gas and Water Supply	(5,111)	-	(6,256)	250,253
Construction	18,782	6,981	24,614	22,360
Wholesale and Retail Trade, and Restaurants and Hotels	(3,547)	2,789	32,365	47,887
Transport, Storage and Communication	24,532	-	192,215	-
Finance, Insurance, Real Estate and Business Activities	22,453	40	(100,201)	128,276
Education, Health and Others	(1,101)	-	(76)	-
Others*	4,893	-	(28,141)	-
Total	**123,862**	**13,146**	**10,953**	**559,653**

**Others include Retail exposures and exposures which are not elsewhere classified.*

CREDIT RISK (Continued)

Credit Quality of Loans, Advances and Financing (Continued)

Impaired Loans (Continued)

Table 11: Analysis of movement for Loan Impairment Allowances for the Year Ended 31 December 2011 and 31 December 2010

(RM'000)	CIMB Bank			
	2011		2010	
	Individual Impairment Allowance	Portfolio Impairment Allowance	Individual Impairment Allowance	Portfolio Impairment Allowance
1 January	1,599,643	1,853,963	2,225,029	1,754,194
Allowance (written back)/made during the financial period/year	123,862	289,245	10,953	372,183
Amount transferred to portfolio impairment allowance	-	-	-	-
Amount written back in respect of recoveries	-	-	-	-
Allowance made and charged to deferred assets	140	844	2,431	(3,352)
Allowance made in relation to jointly controlled entity	-	-	-	-
Amount written off	(13,146)	(378,962)	(559,653)	(345,012)
Transfer(to)/from intercompany	-	(166,234)	-	119,980
Disposal of subsidiary	-	-	-	-
Unwinding income	(30,765)	(18,942)	(50,713)	(32,925)
Exchange fluctuation	10,943	(2,847)	(28,404)	(11,105)
Total	**1,690,677**	**1,577,067**	**1,599,643**	**1,853,963**

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (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 RWCAF - Risk-Weighted Assets Computation to map the ratings to the relevant risk weights for computation of regulatory capital.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (Continued)

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

Table 12: Disclosure by Risk Weight under SA

2011											CIMB Bank	
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	29,027,152	-	-	-	-	-	-	-	1,844,393	-	30,871,544	-
20%	123,961	-	816,742	-	64,429	1,387	-	-	156,567	677,942	1,841,028	368,206
35%	-	-	-	-	-	-	3,043,499	-	-	-	3,043,499	1,065,225
50%	-	-	-	-	13,774	43,356	56,018	-	-	-	113,148	56,574
75%	-	-	-	-	-	13,645,524	33,729	-	-	-	13,679,253	10,259,440
100%	79,659	-	-	-	3,443,316	875,205	8,354	-	2,259,202	-	6,665,736	6,665,736
150%	25,987	-	-	-	185,332	34,414	-	1,230,937	-	-	1,476,670	2,215,006
>150%	-	-	-	-	-	-	-	-	-	2,523	2,523	14,222
Total	**29,256,760**	**-**	**816,742**	**-**	**3,706,850**	**14,599,887**	**3,141,601**	**1,230,937**	**4,260,161**	**750,581**	**57,763,519**	**20,644,408**
Average Risk Weight	-	-	20%	-	101%	77%	36%	150%	54%	20%	36%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	70,116	-	

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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (Continued)

Table 12: Disclosure by Risk Weight under SA (Continued)

2010												CIMB Bank
(RM'000) Risk Weights	Sovereign/ Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporate	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation*	Total Exposures after Netting and Credit Risk Mitigation*	Total Risk Weighted Assets
0%	18,518,999	-	10,117	-	-	30,896	-	-	1,933,083	-	20,493,095	-
20%	-	286	-	-	30,826	103,880	-	-	1,471,819	697,913	2,304,724	460,945
35%	-	-	-	-	-	-	1,752,135	-	-	-	1,752,135	613,247
50%	-	-	-	-	205,614	31,783	78,584	-	-	-	315,981	157,990
75%	-	-	-	-	-	12,090,487	49,116	-	-	-	12,139,603	9,104,702
100%	100,868	-	-	-	4,373,698	134,960	-	-	2,759,230	-	7,368,756	7,368,756
150%	-	-	-	-	214,433	39,228	-	1,086,689	-	-	1,340,350	2,010,525
>150%	-	-	-	-	-	-	-	-	-	2,525	2,525	21,759
Total	**18,619,868**	**286**	**10,117**	**-**	**4,824,570**	**12,431,234**	**1,879,835**	**1,086,689**	**6,164,132**	**770,554**	**45,787,284**	**19,737,924**
Average Risk Weight	1%	20%	-	-	100%	75%	37%	150%	50%	21%	43%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	70,116	-	

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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (Continued)

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

Table 13: Disclosures of Rated and Unrated Non-Retail Exposures under SA according to Ratings by ECAIs

2011				CIMB Bank
(RM '000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	61,429	22,506	4,034,388	4,118,322
Sovereign/Central Banks	2,649,653	93,275	26,513,831	29,256,760
Banks, MDBs and DFIs	816,742	-	-	816,742
Total	**3,527,824**	**115,781**	**30,548,219**	**34,191,824**

2010				CIMB Bank
(RM '000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Credit Exposures (using Corporate Risk Weights)				
Public Sector Entities	-	-	286	286
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	30,719	-	5,398,331	5,429,050
Sovereign/Central Banks	3,201,142	80,899	15,337,826	18,619,868
Banks, MDBs and DFIs	10,117	-	-	10,117
Total	**3,241,978**	**80,899**	**20,736,444**	**24,059,321**

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH (SA) (Continued)

Table 14: Disclosures of Securitisation under SA according to Ratings by ECAIs

2011				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	677,942	-	72,639	**750,581**

2010				**CIMB Bank**
(RM '000) Exposure Class	**Investment Grade**	**Non Investment Grade**	**No Rating**	**Total**
On and Off-Balance-Sheet Exposures				
Securitisation	768,029	-	2,525	**770,554**

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

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

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account and predict potential revenue based on the behaviour pattern of the customer.

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

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

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

Retail Exposures

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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

Retail Exposures (Continued)

Retail exposures covered under the A-IRB Approach include credit cards, auto loans, personal financing and residential mortgages. The PDs of these exposures are typically estimated from the outputs of application scorecards for newer customers and behavioural scorecards for older customers. Presently, the models deployed for retail portfolio include application and behavioural scorecards, PD, LGD and EAD[1] segmentation.

PD, LGD and EAD Segmentation

PD Calibration for Retail Exposure

- PD estimated for each pool must be representative of long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) must be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which normally referred to "Central Tendency".

EAD Segmentation Model

- The EAD estimation approach adopted is based on Cohort Method. A fixed length cohort, normally one year intervals is defined.

LGD Segmentation Model

- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from physical collaterals.
  (iii) Cash receipts from borrowers/customers.

[1] PD, EAD and LGD are Basel II risk parameters.

Probability of Default (PD) is defined as the probability of a borrower defaulting within a one year time horizon.

Exposure at Default (EAD) represents the expected level of usage of the facility when default occurs.

Loss Given Default (LGD) is the estimated amount of loss expected if a loan defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors (internal, external, direct and indirect costs associated with recoveries).

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2011 and 31 December 2010:

Table 15: Retail Credit Exposures by PD Band

2011				CIMB Bank
(RM'000) PD Range of Retail Exposures	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure (EAD)	**37,095,737**	**9,151,994**	**1,756,772**	**48,004,503**
Residential Mortgage	26,067,279	3,403,846	1,239,110	30,710,235
QRRE	4,661,479	3,632,754	88,823	8,383,056
Hire Purchase	3,644,337	1,464,748	192,596	5,301,681
Other Retail	2,722,642	650,646	236,243	3,609,531
Exposure Weighted LGD %				
Residential Mortgage	23%	25%	36%	
QRRE	90%	90%	90%	
Hire Purchase	52%	54%	59%	
Other Retail	28%	30%	71%	
Exposure Weighted Average Risk Weight %				
Residential Mortgage	31%	88%	41%	
QRRE	33%	130%	127%	
Hire Purchase	56%	101%	187%	
Other Retail	30%	45%	378%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

Table 15: Retail Credit Exposures by PD Band (continued)

2010				CIMB Bank
(RM'000) **PD Range of Retail Exposures**	**0% ≤ PD < 2%**	**2% ≤ PD < 100%**	**100% Or Default**	**Total**
Total Retail Exposure (EAD)	**35,493,632**	**12,595,983**	**2,013,095**	**50,102,710**
Residential Mortgage	21,840,752	3,927,235	1,392,890	27,160,877
QRRE	4,027,893	3,935,671	77,522	8,041,086
Hire Purchase	6,900,583	3,602,799	292,094	10,795,475
Other Retail	2,724,404	1,130,278	250,589	4,105,271
Exposure Weighted LGD %				
Residential Mortgage	21%	23%	34%	
QRRE	90%	90%	90%	
Hire Purchase	56%	58%	59%	
Other Retail	18%	18%	46%	
Exposure Weighted Average Risk Weight %				
Residential Mortgage	29%	83%	31%	
QRRE	33%	131%	393%	
Hire Purchase	60%	111%	214%	
Other Retail	19%	32%	234%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

Table 16: Retail Exposures under the IRB Approach by Expected Loss Range

2011				CIMB Bank
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	**37,348,781**	**10,398,731**	**256,991**	**48,004,503**
Residential Mortgage	27,543,263	2,990,671	176,301	30,710,235
QRRE	3,082,351	5,300,706	-	8,383,056
Hire Purchase	3,499,369	1,740,820	61,492	5,301,681
Other Retail	3,223,799	366,534	19,198	3,609,531
Exposure Weighted Average LGD %				
Residential Mortgage	23%	29%	39%	
QRRE	90%	90%	-	
Hire Purchase	52%	55%	59%	
Other Retail	28%	54%	79%	

2010				CIMB Bank
(RM'000) EL Range of Retail Exposures	EL ≤ 1%	1% < EL < 100%	EL = 100%	Total
Total Retail Exposure (EAD)	**36,430,954**	**13,462,335**	**209,421**	**50,102,710**
Residential Mortgage	23,586,786	3,395,387	178,705	27,160,877
QRRE	2,807,157	5,233,929	-	8,041,086
Hire Purchase	6,592,149	4,187,437	15,889	10,795,475
Other Retail	3,444,861	645,583	14,827	4,105,271
Exposure Weighted Average LGD %				
Residential Mortgage	21%	27%	32%	
QRRE	90%	90%	-	
Hire Purchase	55%	58%	56%	
Other Retail	17%	34%	44%	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

Non-retail Exposures

Non-retail exposures covered under the F-IRB Approach include corporates (Specialised Lending 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 classification.

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

For sovereign exposures with external ratings, the internal rating is taken to correspond to the second best long-term issuer rating published by S&P, Moody's and Fitch or any other rating agencies approved by approving authority based on the Group’s internal rating system.

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

The following tables summarise the non-retail credit exposures measured under F-IRB Approach as at 31 December 2011 and 31 December 2010:

Table 17: Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

2011						CIMB Bank
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	196,617	14,185	674,928	1,354	997,754	1,884,838
Object Finance	12,990	-	-	32,676	-	45,665
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	1,004,490	954,632	758,093	79,907	9,833	2,806,955
RWA	**822,162**	**780,536**	**1,647,975**	**284,840**	**-**	**3,535,512**

2010						CIMB Bank
(RM '000) Supervisory Categories	**Strong**	**Good**	**Satisfactory**	**Weak**	**Default**	**Total**
Project Finance	502,976	-	20	363,128	928,761	1,794,885
Object Finance	-	-	214,409	-	-	214,409
Commodities Finance	-	-	-	-	-	-
Income Producing Real Estate	925,498	427,350	284,324	3,169	65,933	1,706,273
RWA	**824,084**	**331,038**	**573,566**	**915,742**	-	**2,644,430**

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

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

Table 18: Non Retail Exposures under IRB Approach by Risk Grades

2011					CIMB Bank
(RM'000) Internal Risk Grading	**1 - 6**	**7 - 12**	**13**	**Default**	**Total**
Total Non-Retail Exposure (EAD)	**51,964,818**	**19,093,686**	**2,956,551**	**3,814,081**	**77,829,135**
Bank	24,743,554	1,366,910	556,477	160,136	26,827,076
Corporate (excluding Specialised Lending)	27,221,263	17,726,776	2,400,075	3,653,945	51,002,059
Exposure Weighted LGD %					
Bank	46%	56%	45%	45%	
Corporate (excluding Specialised Lending)	43%	37%	35%	44%	
Exposure Weighted Average Risk Weight %					
Bank	17%	118%	225%	-	
Corporate (excluding Specialised Lending)	26%	76%	194%	-	

2010					CIMB Bank
(RM'000) Internal Risk Grading	**1 - 6**	**7 - 12**	**13**	**Default**	**Total**
Total Non-Retail Exposure (EAD)	**44,691,520**	**18,335,420**	**4,219,916**	**3,938,002**	**71,184,857**
Bank	20,210,351	521,837	103,324	61,670	20,897,182
Corporate (excluding Specialised Lending)	24,481,169	17,813,583	4,116,592	3,876,332	50,287,675
Exposure Weighted LGD %					
Bank	46%	50%	45%	45%	
Corporate (excluding Specialised Lending)	43%	40%	38%	44%	
Exposure Weighted Average Risk Weight %					
Bank	20%	97%	247%	-	
Corporate (excluding Specialised Lending)	26%	84%	186%	-	

CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (Continued)

The following table summarises the actual losses by portfolio type:

Table 19: Analysis of Expected Loss versus Actual Losses by Portfolio Types

		CIMB Bank
(RM'000) **Exposure Class**	**Regulatory Expected Losses as at 31 December 2010**	**Actual Losses for the year ended 31 Dec 2011**
Sovereign	-	-
Bank	19,653	-
Corporate	553,897	124,151
Mortgage	154,840	66,720
HPE	220,116	136,882
QRRE	356,476	232,823
Other Retail	33,892	22,258
Total	**1,338,875**	**582,834**

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 MITIGATION

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

Collaterals/Securities

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

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

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 collateral to be considered as effective risk mitigants.

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

Netting

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

CREDIT RISK MITIGATION (Continued)

Concentrations within risk mitigation

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

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2011 and 31 December 2010:

Table 20: Disclosure on Credit Risk Mitigation

2011				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	29,256,760	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs & MDBs	27,483,683	-	72,279	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	54,975,925	1,228,072	4,573,266	5,119,442
Residential Mortgages	32,608,126	-	-	-
Qualifying Revolving Retail	8,294,233	-	-	-
Hire Purchase	5,109,085	-	-	-
Other Retail	22,263,022	1,387	4,490,402	-
Securitisation	750,581	-	-	-
Higher Risk Assets	1,230,937	-	-	-
Other Assets	4,260,161	-	-	-
Defaulted Exposures	2,780,755	9,578	32,347	412,009
Total Exposures	**189,013,267**	**1,239,037**	**9,168,294**	**5,531,451**

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 MITIGATION (Continued).

Table 20: Disclosure on Credit Risk Mitigation (Continued)

2010				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	18,619,868	-	-	-
Public Sector Entities	286	-	-	-
Banks, DFIs & MDBs	20,845,629	-	50	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	54,317,149	1,184,031	3,559,022	4,608,213
Residential Mortgages	27,642,480	-	253	-
Qualifying Revolving Retail	7,963,564	-	-	-
Hire Purchase	10,503,382	-	-	-
Other Retail	19,937,459	135,091	3,856,169	-
Securitisation	770,554	-	-	-
Higher Risk Assets	1,086,689	-	-	-
Other Assets	6,164,132	-	-	-
Defaulted Exposures	2,989,131	52,518	19,756	244,242
Total Exposures	**170,840,321**	**1,371,640**	**7,435,250**	**4,852,455**

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.

OFF BALANCE SHEET EXPOSURES AND CCR

CCR limits are established at the individual counterparty level and approved by GWBRC and/or RCC. These limits are monitored and reported at both business and at the Group level.

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 and our 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 GWBRC and/or RCC.

Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and our exposure as at 31 December 2011, there will be 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 2011 and 31 December 2010:

OFF BALANCE SHEET EXPOSURES AND CCR (Continued)

Table 21: Disclosure on Off-Balance Sheet Exposures and CCR

2011				CIMB Bank
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,354,180		1,354,180	1,034,273
Transaction Related Contingent Items	3,077,081		1,538,541	810,754
Short Term Self Liquidating Trade Related Contingencies	2,139,847		427,969	64,094
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	145,000		72,500	(12,548)
Lending 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)	-		-	-
Foreign Exchange Related Contracts				
One year or less	241,568	-	315	94
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	284,696,577	1,261,161	6,120,172	1,859,999
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	15,663,593		7,388,740	3,698,995
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	87,226		17,445	11,781
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 creditworthiness	17,038,667		-	-
Unutilised credit card lines	15,255,371		5,457,777	3,102,120
Off-balance sheet items for securitisation exposures	5,046		2,523	14,222
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	**339,704,157**	**1,261,161**	**22,380,162**	**10,583,784**

OFF BALANCE SHEET EXPOSURES AND CCR (Continued)

Table 21: Disclosure on Off-Balance Sheet Exposures and CCR (Continued)

2010				CIMB Bank
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	1,452,245		1,452,245	1,181,601
Transaction Related Contingent Items	3,112,261		1,556,130	760,121
Short Term Self Liquidating Trade Related Contingencies	3,410,309		682,062	178,621
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	235,000		117,500	25,756
Lending 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)	-		-	-
Foreign Exchange Related Contracts				
One year or less	177,640	-	621	225
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	236,612,093	1,229,789	5,460,388	1,691,706
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	10,997,789		3,918,639	911,926
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	202,479		-	-
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 creditworthiness	13,848,641		-	-
Unutilised credit card lines	14,056,287		5,047,419	3,291,478
Off-balance sheet items for securitisation exposures	5,050		2,525	21,759
Off-balance sheet exposures due to early amortisation provisions	-		-	-

Total	**284,109,792**	**1,229,789**	**18,237,528**	**8,063,193**

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

OFF BALANCE SHEET EXPOSURES AND CCR (Continued)

Table 22: Disclosure on Credit Derivative Transactions for CIMB Bank

(RM'000)	CIMB Bank			
	2011		2010	
	Notional of Credit Derivatives			
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Own Credit Portfolio	1,044,859	1,096,065	724,623	641,724
Client Intermediation Activities	121,220	302,550	-	228,305
Total	**1,166,079**	**1,398,615**	**724,623**	**870,029**
Credit Default Swaps	1,044,859	1,096,065	724,623	641,724
Total Return Swaps	121,220	302,550	-	228,305
Total	**1,166,079**	**1,398,615**	**724,623**	**870,029**

SECURITISATION

The Role CIMB Plays in the Securitisation Process

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

The Group securitises its own assets in order to manage credit risk and its capital position and to generate term funding for the Group balance sheet.

CIMB Group adopts the following roles in the securitisation activities in which it is involved:

- Originator and servicer of securitised assets
- Executor of securitisation trades including bond marketing and syndication
- Provider of liquidity facilities to self-originated and third-party transactions
- Purchaser of third-party securitisations (where CIMB is not originator or sponsor)

As at 31 December 2011, CIMB Bank has securitised corporate bonds and auto hire purchase receivables for its own account, and auto hire purchase receivables originated by a joint-venture company, in funded traditional securitisations. CIMB Group does not maintain or act as sponsor of any conduit for the securitisation of third-party receivables. CIMB advises, arranges and executes securitisations for third-party clients through special purpose vehicles sponsored by each such client.

CIMB's Involvement in Securitisation in 2011

In 2011, CIMB arranged and managed a securitisation issuance via Premium Commerce Berhad, a bankruptcy-remote special purpose vehicle established in 2005 pursuant to a securitisation programme arranged for the Tan Chong Group. CIMB Bank also raised funds via the securitisation of RM715 million principal amount of hire purchase receivables in 2011.

Every transaction involving securitisation of CIMB Bank's asset is tabled to the Board of Directors of CIMB Bank for deliberation and approval. Todate, CIMB Bank has not used credit risk mitigation to mitigate the risk retained from any securitisation of its own assets.

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

SECURITISATION (Continued)

Summary of Accounting Policies for Securitisation Activities

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

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

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

ECAIs Used For Securitisation Process

CIMB may employ external credit assessment institutions to provide ratings for its asset backed securities. CIMB has used RAM and MARC for securitisations of its own originated assets as well as securitisations for third-party clients.

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

SECURITISATION (Continued)

The following tables show the disclosure on Securitisation for Trading and Banking Book for 31 December 2011 and 31 December 2010:

Table 23: Disclosure on Securitisation for Trading and Banking Book

2011				CIMB Bank
Underlying Asset (RM'000)	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the period**
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	154,339	29,642	9,841	(924)
Originated by the Banking Institution				
Hire Purchase Exposure	686,949	65,192	78	(617)

2010				CIMB Bank
Underlying Asset (RM'000)	**Total Exposures Securitised**	**Past Due**	**Impaired**	**Gains/Losses Recognised during the period**
TRADITIONAL SECURITISATION (Banking Book)				
Non-Originated by the Banking Institution				
Hire Purchase Exposure	225,840	44,801	7,413	168

SECURITISATION (Continued)

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

Table 24: Disclosure on Securitisation under the SA for Banking Book Exposures

2011	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%	Weighted Average RW	Exposure Amount	
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	633,662	-	-	-	633,662	-	-	-			126,732
Mezzanine	7,216	-	-	-	7,216	-	-	-			1,443
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)

Table 24: Disclosure on Securitisation under the SA for Banking Book Exposures (Continued)

2011												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%	Weighted Average RW	Exposure Amount		
Originating Banking Institution												
On-Balance Sheet												
Most senior	16,993	-	-	-	16,993	-	-	-				3,399
Mezzanine	20,071	-	-	-	20,071	-	-	-				4,014
First loss	70,116	70,116	-	-	-	-	-	-				-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-				-
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,523	-			-	-	-	-	> 150%	2,523		14,222
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	**750,581**	**70,116**	**-**	**-**	**677,942**	**-**	**-**	**-**	**-**	**2,523**		**149,810**

SECURITISATION (Continued)

Table 24: Disclosure on Securitisation under the SA for Banking Book Exposures (continued)

2010											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%	Weighted Average RW	Exposure Amount	
Traditional Securitisation (Banking Book)											
Non-originating Banking Institution											
On-Balance Sheet											
Most senior	650,165	-	-	-	650,165	-	-	-			130,033
Mezzanine	2,963	-	-	-	2,963	-	-	-			593
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)

Table 24: Disclosure on Securitisation under the SA for Banking Book Exposures (Continued)

2010												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%	Weighted Average RW	Exposure Amount		
Originating Banking Institution												
On-Balance Sheet												
Most senior	24,715	-	-	-	24,715	-	-	-				4,943
Mezzanine	20,071	-	-	-	20,071	-	-	-				4,014
First loss	70,116	70,116	-	-	-	-	-	-				-
Off-Balance Sheet												
Rated eligible liquidity facilities	-	-			-	-	-	-				-
Unrated eligible liquidity facilities (with original maturity > 1 year)	2,525	-			-	-	-	-	> 150%	2,525		21,759
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	**770,554**	**70,116**	-	-	**697,913**	-	-	-	-	**2,525**		**161,342**

SECURITISATION (Continued)

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

Table 25: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge

2011	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	63,948	-	2,369	1,444	47,663
Off –Balance Sheet	-	-	-	-	-
Sub-total	63,948	-	2,369	1,444	47,663
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)	**63,948**	**-**	**2,369**	**1,444**	**47,663**

MARKET RISK - SA

Market risk is defined as the potential change in market value of trading and investment securities held by the Group arising from adverse changes to market parameters such as interest rates, credit spreads, foreign exchange rates, equity prices, commodity prices and volatility.

Market Risk Management

The function of RMA Team in CIMB is to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework. Here, the CaR framework is employed to measure market risk where CaR represents the worst expected loss in portfolio value under normal market conditions over a specific time interval at a given confidence level. The Group has adopted a historical simulation approach to compute CaR. This approach assesses potential loss in portfolio value based on the last 500 daily historical movements of relevant market parameters and 99% confidence level at 1-day holding period.

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

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

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

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

MARKET RISK – SA (Continued)
Market Risk Management (Continued)

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

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

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

Treasury products approval processes will be led by RMO to ensure the bank is operational ready before launching. All new products are assessed by components and in totality to ensure financial risks are accurately identified, monitored and effectively managed.

All valuation methods and models used are documented and validated by the Quantitative Analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions modelling approach and its implementation. Existing valuation models are reviewed at least on a yearly basis to ensure that they remain relevant to changing market conditions. Backtest of newly approved or revised models may be conducted to assess the appropriateness of the model and input data used.

MARKET RISK – SA (Continued)
Market Risk Management (Continued)

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on RWCAF - Risk-Weighted Assets Computation. 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;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

OPERATIONAL RISK

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

Operational Risk Management

CIMB Group recognises that cultivation of an organisational-wide discipline and risk management culture among its staff is the key determinant for a well-managed universal banking operation. Hence, the Group places high importance in having operational risk management where there are processes and tools to identify, assess, monitor and control the operational risk inherent in the Group.

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

- Sound risk management practices in accordance with Basel II and regulatory guidelines;
- Board and senior management oversight;
- Well-defined responsibilities for all personnel concerned;
- Establishment of a risk management culture; and
- ORM Tools implemented:
  - (i) Loss Event Management;
  - (ii) RCSA; and
  - (iii) KRI.

In pursuit of managing and controlling operational risk, ORMD has revised the ORM framework and its main objectives are to:

(i) Provide guidance to the management teams towards establishing a common platform and consistent approach to ORM across the Group;

(ii) Ensure readiness and compliance to BNM as the home supervisor and other regulators' requirements, including preparation towards the Basel II implementation; and

(iii) Assist in the integration of risk factors by providing a singular view of operational risk across the Group's business/support units/entities for effective and efficient ORM.

The ORMF is premised on a set of pillars of Operational Risk Standards and employs various tools including RCSA, risk event management, KRI monitoring and process risk mapping as measures of supervision.

OPERATIONAL RISK (Continued)

Operational Risk Management (Continued)

A key structure of the ORMF is the Corporate Governance that is founded on the 3 Levels of Defense approach which underlines the participation of members of the Board of Directors; Senior Management and supported by every employee of the Group as the first line of defense.

The philosophy of the governance structure in the ORMF recognises the following:

(i) Ownership of the risk by the business/support areas (line management);

(ii) Oversight by independent risk management; and

(iii) Independent review by Internal Audit.

CIMB Group has also strengthened its infrastructure and in July 2011, the ORM System project has been launched where Loss Event Database, RCSA, KRI and Scenario Analysis are incorporated in the system. These tools are techniques for the administration of operational risks together with the use of rating matrices. Moreover, in line with best practices, incidents on loss events are tracked and captured for analytical risk profiling and to further enhance controls.

The E-learning module which will enhance the awareness of ORM has also been launched in July 2011.

In addition, CIMB Group has progressively set the various foundations to move towards Basel II Standardised Approach and building its capabilities towards the Advanced Measurement Approach.

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

(i) Oversight and implementation of the ORMF;

(ii) Establish risk appetite and provide strategic and specific directions;

(iii) Review operational risks reports and profiles regularly;

(iv) Address operational risk issues; and

(v) Ensure compliance to regulatory and internal requirements including disclosures.

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

OPERATIONAL RISK (Continued)

Operational Risk Management (Continued)

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on RWCAF - Risk-Weighted Assets Computation.

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

EQUITY EXPOSURES IN BANKING BOOK

The Group's banking book equity investments consist of:

- Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and
- Investments held for yield and/or long-term capital gains.

The Group's and CIMB Bank's banking book equity investments are classified and measured in accordance with Financial Reporting Standards and are categorised as either financial investments available-for-sale or Investment in Associates in the 2011 financial statements.

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

Realised and unrealised gains or losses for CIMB Bank for the year ended 31 December 2011 and 31 December 2010 is as follows:

Table 26: Realised Gains/Losses from Sales and Liquidations of Equities

(RM'000)	CIMB Bank	
	2011	2010
Realised gains		
Investment in associates	-	-
Shares, private equity funds and unit trusts	25,971	-
Unrealised gains		
Shares, private equity funds and unit trusts	406,873	379,225

EQUITY EXPOSURES IN BANKING BOOK (Continued)

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at 31 December 2011 and 31 December 2010:

Table 27: Analysis of Equity Investments by Grouping and RWA

(RM'000)	CIMB Bank			
	2011		2010	
	Exposures subject to Risk-Weighting	RWA	Exposures subject to Risk-Weighting	RWA
Privately held	1,230,937	1,846,405	1,086,689	1,630,033
Publicly traded	-	-	-	-
Total	**1,230,937**	**1,846,405**	**1,086,689**	**1,630,033**

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Risk Definition

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

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

Risk Governance

IRRBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the BRC on behalf of the Board. GRC, supported by the Asset Liability Management function in GRM is responsible to oversee the asset liability management process including an independent review and monitoring of IRRBB for the Group. The BSMC, with the support from CBSM, is responsible for the review of the balance sheet and recommends strategies, including hedging activities to manage the overall interest rate risk. CBTM is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

Risk Measurement

IRRBB is measured by:

- **Economic Value of Equity (EVE) sensitivity:**

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

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) (Continued)

Risk Measurement (Continued)

- **Economic Value of Equity (EVE) sensitivity (Continued):**

  For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth. The table below illustrates CIMB Bank's IRRBB under a 100 bps parallel upward interest rate shock from economic value perspective:

Table 28: IRRBB – Impact on Economic Value

(RM'000)	CIMB Bank	
	2011	2010
Currency	**+100bps Increase (Decline) in Economic Value (Value in RM Equivalent)**	
Ringgit Malaysia	(738,156)	(705,980)
US Dollar	44,287	30,551
Thai Baht	(425)	-
Singapore Dollar	(128,671)	(185,826)
Others	(35,392)	(5,423)
Total	**(858,357)**	**(866,678)**

- **Earnings at Risk (EaR)**:

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

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

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) (Continued)

Risk Measurement (Continued)

- **Earnings at Risk (EaR) (Continued)**:

Table 29: IRRBB – Impact on Earnings

(RM'000)	CIMB Bank	
	2011	2010
Currency	**+100bps Increase (Decline) in Earnings (Value in RM Equivalent)**	
Ringgit Malaysia	33,962	18,522
US Dollar	(10,363)	(66,979)
Thai Baht	2,643	-
Singapore Dollar	(82,644)	(38,462)
Others	(9,493)	(1,269)
Total	**(65,895)**	**(88,188)**

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[END OF SECTION]