

Basel II Pillar 3 Disclosures

- **CIMB Investment Bank Berhad**

Abbreviations

A-IRB Approach	: Advanced Internal Ratings Based Approach
CIMBBG	: CIMB Bank, CIMB Islamic Bank Berhad, CIMBTH, CIMB Bank PLC (Cambodia) and CIMB Factor Lease 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
CCR	: Counterparty Credit Risk
DFIs	: Development Financial Institutions
EAD	: Exposure at Default
ECAIs	: External Credit Assessment Institutions
EL	: Expected Loss
EP	: Eligible Provision
F-IRB Approach	: Foundation Internal Ratings Based Approach
HPE	: Hire Purchase Exposures
IRB Approach	: Internal Ratings Based Approach
IRRBB	: Interest Rate Risk in the Banking Book
LGD	: Loss Given Default
MDBs	: Multilateral Development Bank
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
RWA	: Risk Weighted Assets
RWCAF	: Risk Weighted Capital Adequacy Framework (Basel II)
RWCR	: Risk Weighted Capital Ratio
SA	: Standardised Approach

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OVERVIEW

The information herein is disclosed pursuant to the requirements of Bank Negara Malaysia's RWCAF – Disclosure Requirements (Pillar 3) and is published for the period ended 30 June 2011.

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.

CAPITAL MANAGEMENT

Capital Structure and Adequacy

The capital adequacy ratios of CIMB IB are computed in accordance with IRB Approach for Credit Risk, where A-IRB Approach is used for Retail exposure and F-IRB Approach is used for Non-Retail exposure while Operational Risk is computed based on Basic Indicator Approach. Market Risk is computed based on the Standardised Approach. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

The table below presents the Capital Position of CIMB IB:

Table 1: Capital Position

(RM'000)	CIMB IB
Tier 1 Capital	
Paid-up share capital + Share Premium	100,000
Non-Innovative Tier 1 instruments	-
Innovative Tier 1 instruments	-
Statutory Reserve	155,175
Retained Earnings/Profits	36,241
Approved Audited Half- Year Profit/Loss	50,590
General Reserve Fund	51,247
Less: Deductions from Tier 1 Capital	
Goodwill	-
Deductions in excess of Tier 2 Capital	6,354
Eligible Tier 1 Capital	386,899
Tier 2 Capital	
Subordinated Debt Capital	-
Cumulative Preference Shares	10
General Provision	643
Surplus of EP over EL	2,043
Tier 2 Capital Subject to Limits	2,696
Less: Deductions from Tier 2 capital	2,696
Investment in subsidiaries	9,050
Investment in capital instruments of other BI	-
Other Deductions	-
Eligible Tier 2 Capital	-
Total Eligible Capital	386,899

RWA	
Credit	842,927
Credit RWA Absorbed by PSIA	-
Market	252,246
Operational	769,759
Large Exposure for Equity Holdings	-
Total RWA	1,864,932
Capital Adequacy Ratios	
Tier 1 Capital Adequacy Ratio (%)	20.75%
Total Capital Adequacy Ratio (%)	20.75%
Proposed Dividends	-
RWCR After Dividends	
Core Capital Ratio	20.75%
RWCR	20.75%

The table represents the total RWA and minimum capital requirements:

Table 2: Disclosure on Total RWA and Minimum Capital Requirement

CIMB IB					
(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	216,072	216,072	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	51,904	51,904	51,904	51,904	4,152
Regulatory Retail	4,436	4,436	3,324	3,324	266
Residential Mortgages	21,956	21,956	8,467	8,467	677
Higher Risk Assets	4,840	4,840	7,260	7,260	581
Other Assets	431,510	431,510	431,462	431,462	34,517
Securitisation	-	-	-	-	-
Total for SA	730,718	730,718	502,417	502,417	40,193
Exposures under the IRB Approach					
Sovereign/Central Banks	-	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, DFIs & MDBs	2,223,052	2,223,052	321,236	321,236	25,699
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporate	8,000	8,000	-	-	-
Residential Mortgages	-	-	-	-	-
Qualifying Revolving Retail	-	-	-	-	-
Hire Purchase	-	-	-	-	-
Other Retail	-	-	-	-	-
Securitisation	-	-	-	-	-
Total for IRB Approach	2,231,052	2,231,052	321,236	321,236	25,699
Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)	2,961,770	2,961,770	842,927	842,927	67,434
Large Exposure Risk Requirement	-	-	-	-	-

(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%
Market Risk (SA)					
Interest Rate Risk			129,355	129,355	10,348
Foreign Currency Risk			4,715	4,715	377
Equity Risk			24,825	24,825	1,986
Commodity Risk			-	-	-
Options Risk			93,350	93,350	7,468
Total Market Risk			252,246	252,246	20,180
Operational Risk (BIA)			769,759	769,759	61,581
Total RWA and Capital Requirement			1,864,931	1,864,931	149,194

CREDIT RISK

Gross Credit Exposures by Geographic Distribution

The geographic distribution is based on the country in which the portfolio is geographically managed. The table shows the credit exposures by geographic region:

Table 3: Geographic Distribution of Credit Exposures

CIMB IB					
(RM'000) Exposure Class	Malaysia	Singapore	Thailand	Other Countries	Total
Sovereign	216,072	-	-	-	216,072
Bank	2,223,052	-	-	-	2,223,052
Corporate	59,904	-	-	-	59,904
Mortgage	21,956	-	-	-	21,956
HPE	-	-	-	-	-
QRRE	-	-	-	-	-
Other Retail	4,436	-	-	-	4,436
Other Exposures	436,350	-	-	-	436,350
Total Gross Credit Exposure	2,961,770	-	-	-	2,961,770

Gross exposures by Sector

The following table represents the Bank's credit exposure analysed by sector:

Table 4: Distribution of Credit Exposures by Sector

CIMB IB											
(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	-	-	-	-	-	-	-	216,072	-	-	216,072
Bank	-	-	-	-	-	-	-	2,223,052	-	-	2,223,052
Corporate	8,000	-	-	-	3	-	-	5,558	-	46,343	59,904
Mortgage	-	-	-	-	-	-	-	-	-	21,956	21,956
HPE	-	-	-	-	-	-	-	-	-	-	-
QRRE	-	-	-	-	-	-	-	-	-	-	-
Other Retail	-	-	-	-	-	-	-	-	-	4,436	4,436
Other Exposures	-	-	-	-	-	-	-	-	-	436,350	436,350
Total Gross Credit Exposure	8,000	-	-	-	3	-	-	2,444,682	-	509,085	2,961,770

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

Gross credit exposures by Residual Contractual Maturity

The table below presents the distribution of credit exposures by residual contractual maturity:

Table 5: Distribution of Credit Exposures by Residual Contractual Maturity

CIMB IB				
(RM'000) Exposure Class	Less than 1 year	1 to 5 years	More than 5 years	Total
Sovereign	210,577	-	5,495	216,072
Bank	2,178,076	17,038	27,939	2,223,052
Corporate	8,012	3,178	48,714	59,904
Mortgage	8	792	21,155	21,956
HPE	-	-	-	-
QRRE	-	-	-	-
Other Retail	168	3,349	919	4,436
Other Exposures	10	-	436,340	436,350
Total Gross Credit Exposure	2,396,852	24,356	540,561	2,961,770

*Credit Quality of Loans, Advances and Financing
Past Due But Not Impaired*

The following tables provide an analysis of the outstanding balances as at 30 June 2011 which were past due but not impaired by sector and geographic respectively:

Table 6(a): Past Due but Not Impaired Loans, Advances and Financing by Sector as at 30 June 2011

CIMB IB	
(RM'000)	
Primary Agriculture	-
Mining and Quarrying	-
Manufacturing	-
Electricity, Gas and Water Supply	-
Construction	-
Wholesale and Retail Trade, and Restaurants and Hotels	-
Transport, Storage and Communications	-
Finance, Insurance, Real Estate and Business Activities	-
Education and Health	-
Others*	-
Total	-

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

Table 6(b): Past Due but Not Impaired Loans, Advances and Financing by Geographic Distribution as at 30 June 2011

CIMB IB	
(RM'000)	
Malaysia	-
Singapore	-
Thailand	-
Other Countries	-
Total	-

Impaired Loans/Financings

The following tables provide an analysis of the outstanding balances as at 30 June 2011 which were impaired by sector and geographical respectively:

Table 7(a): Impaired Loans, Advances and Financing by Sector as at 30 June 2011

CIMB IB	
(RM'000)	
Primary Agriculture	-
Mining and Quarrying	-
Manufacturing	-
Electricity, Gas and Water Supply	-
Construction	-
Wholesale and Retail Trade, and Restaurants and Hotels	-
Transport, Storage and Communications	-
Finance, Insurance, Real Estate and Business Activities	-
Education and Health	-
Others*	764
Total	764

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

Table 7(b): Impaired Loans, Advances and Financing by Geographic Distribution as at 30 June 2011

CIMB IB	
(RM'000)	
Malaysia	764
Singapore	-
Thailand	-
Other Countries	-
Total	764

Table 8: Individual Impairment and Portfolio Impairment Allowances by Sector as at 30 June 2011

CIMB IB		
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance
Primary Agriculture	-	-
Mining and Quarrying	-	-
Manufacturing	-	-
Electricity, Gas and Water Supply	-	-
Construction	-	-
Wholesale and Retail Trade, and Restaurants and Hotels	-	-
Transport, Storage and Communications	-	-
Finance, Insurance, Real Estate and Business Activities	-	-
Education and Health	-	-
Others*	764	643
Total	764	643

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

Table 9: Individual Impairment and Portfolio Impairment Allowances by Geographic Distribution as at 30 June 2011

CIMB IB		
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance
Malaysia	764	643
Singapore	-	-
Thailand	-	-
Other Countries	-	-
Total	764	643

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

CIMB IB		
(RM'000)	Charges/Write back	Write-off
Primary Agriculture	-	-
Mining and Quarrying	-	-
Manufacturing	-	-
Electricity, Gas and Water Supply	-	-
Construction	-	-
Wholesale and Retail Trade, and Restaurants and Hotels	-	-
Transport, Storage and Communications	-	-
Finance, Insurance, Real Estate and Business Activities	-	-
Education and Health	-	-
Others*	(48)	10
Total	(48)	10

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

Table 11: Analysis of movement for Loan/Financing Impairment Allowances for the Period Ended 30 June 2011

CIMB IB		
(RM'000)	Individual Impairment Allowance	Portfolio Impairment Allowance
Balance as at 1 January	822	650
Allowance (write back)/ made during the financial period	(48)	(7)
Amount transferred to portfolio impairment allowance	-	-
Allowance made and charged to deferred assets	-	-
Allowance made in relation to jointly controlled entity	-	-
Amount written off	(10)	-
Transfer (to)/ from intercompany	-	-
Unwinding income	-	-
Exchange fluctuation	-	-
Total	764	643

Credit Risk – Disclosure for Portfolios under the SA

The following table presents the credit exposures by risk weights and after credit risk mitigation:

Table 12: Disclosure by Risk Weight under SA

CIMB IB												
(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%	216,072	-	-	-	-	-	-	-	48	-	216,120	-
20%	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	18,459	-	-	-	18,459	6,461
50%	-	-	-	-	-	11	2,467	-	-	-	2,478	1,239
75%	-	-	-	-	-	4,425	1,030	-	-	-	5,455	4,091
100%	-	-	-	-	51,904	-	-	-	431,462	-	483,365	483,365
150%	-	-	-	-	-	-	-	4,840	-	-	4,840	7,260
>150%	-	-	-	-	-	-	-	-	-	-	-	-
Total	216,072	-	-	-	51,904	4,436	21,956	4,840	431,510	-	730,718	502,417
Average Risk Weight	0%	-	-	-	100%	75%	39%	150%	100%	-	69%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	

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

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

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

CIMB IB				
(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	-	-	51,904	51,904
Sovereign/Central Banks	-	-	216,072	216,072
Banks, MDBs and DFIs	-	-	-	-
Total	-	-	267,976	267,976

The Bank has no Securitisation exposure under SA according to Ratings by ECAIs.

Credit Risk – Disclosure for Portfolios under the IRB Approach

As at 30 June 2011, the Bank has no retail credit exposures measured under A-IRB Approach. The Bank has no Non Retail credit exposures subject to Supervisory Risk Weight and High Volatility Commercial Real Estate and Equities exposures under the Simple Risk Weight Approach.

The following table summarises the Bank's non-retail credit exposures measured under F-IRB Approach by Risk Grades:

Table 14: Non Retail Exposures under IRB Approach by Risk Grades

CIMB IB					
(RM'000) Internal Risk Grading	1 - 6	7 - 12	13	Default	Total
Total Non-Retail Exposure (EAD)	2,222,817	235	-	8,000	2,231,052
Bank	2,222,817	235	-	-	2,223,052
Corporate (excluding Specialised Lending)	-	-	-	8,000	8,000
Exposure Weighted LGD %					
Bank	45%	45%	-	-	
Corporate (excluding Specialised Lending)	-	-	-	45%	
Exposure Weighted Average Risk Weight %					
Bank	14%	80%	-	-	
Corporate (excluding Specialised Lending)	-	-	-	0%	

CREDIT RISK MITIGATION

The following table summarises the extent of which exposures are covered by eligible credit risk mitigants:

Table 15: Disclosure on Credit Risk Mitigation

CIMB IB				
(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
<i>Performing Exposures</i>				
Sovereign/Central Banks	216,072	-	-	-
Public Sector Entities	-	-	-	-
Banks, DFIs & MDBs	2,223,052	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporate	51,904	-	-	-
Residential Mortgages	21,956	-	-	-
Qualifying Revolving Retail	-	-	-	-
Hire Purchase	-	-	-	-
Other Retail	4,425	-	-	-
Securitisation	-	-	-	-
Higher Risk Assets	4,840	-	-	-
Other Assets	431,510	-	-	-
<i>Defaulted Exposures</i>	11	-	-	-
Total Exposures	2,953,770	-	-	-

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

The following table discloses the Off-Balance Sheet exposures and CCR:

Table 16: Disclosure on Off-Balance Sheet Exposures and CCR

CIMB IB				
(RM '000) Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	-		-	-
Transaction Related Contingent Items	-		-	-
Short Term Self Liquidating Trade Related Contingencies	-		-	-
Assets Sold With Recourse	-		-	-
Forward Asset Purchases	-		-	-
Obligations under an On-going Underwriting Agreement	-		-	-
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	-	-	-	-
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	687,367	18,262	45,814	31,237
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	979		196	179
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
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	-		-	-
Unutilised credit card lines	-		-	-
Off-balance sheet items for securitisation exposures	-		-	-
Off-balance sheet exposures due to early amortisation provisions	-		-	-
Total	688,346	18,262	46,010	31,417

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

Table 17: Disclosure on Credit Derivative Transactions

CIMB IB		
(RM'000)	Notional of Credit Derivatives	
	Protection Bought	Protection Sold
Own Credit Portfolio	-	-
Client Intermediation Activities	-	210,300
Total	-	210,300
Credit Default Swaps	-	-
Total Return Swaps	-	210,300
Total	-	210,300

SECURITISATION

The Bank has no Securitisation exposure under the SA for Banking Book.

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

Table 18: Disclosure on Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge

CIMB IB					
(RM'000) Securitisation Exposures	Total Exposure Value of Positions Purchased or Retained	Exposures subject to deduction	General Risk Charge	Specific Risk Charge	Risk Weighted Assets
TRADITIONAL SECURITISATION					
<u>Originated by Third Party</u>					
<i>On Balance Sheet</i>	-	-	-	-	-
<i>Off –Balance Sheet</i>	-	-	-	-	-
<i>Sub-total</i>	-	-	-	-	-
<u>Originated by Banking Institution</u>					
<i>On Balance Sheet</i>	10,248	-	372	205	7,206
<i>Off –Balance Sheet</i>	-	-	-	-	-
<i>Sub-total</i>	10,248	-	372	205	7,206
<u>Securitisation subject to Early Amortisation</u>					
<u>Seller's interest</u>					
<i>On Balance Sheet</i>	-	-	-	-	-
<i>Off –Balance Sheet</i>	-	-	-	-	-
<u>Investor's interest</u>					
<i>On Balance Sheet</i>	-	-	-	-	-
<i>Off –Balance Sheet</i>	-	-	-	-	-
<i>Sub-total</i>	-	-	-	-	-
TOTAL (TRADITIONAL SECURITISATION)	10,248	-	372	205	7,206

EQUITY EXPOSURES IN BANKING BOOK

The table below presents the analysis of Equity investments by Grouping and RWA:

Table 19: Analysis of Equity Investments by Grouping and RWA

CIMB IB		
In RM('000)	Exposures subject to Risk-Weighting	RWA
Privately held	4,840	7,260
Publicly traded	-	-
Total	4,840	7,260

INTEREST RATE RISK IN THE BANKING BOOK

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 tables below illustrate CIMB IB IRRBB under a 100 bps parallel upward interest rate shock from earnings and economic value perspectives.

Table 20: IRRBB – Impact on Earnings

CIMB IB	
Currency	+100bps Increase (Decline) in Earnings (RM '000, Value in RM Equivalent)
Ringgit Malaysia	4,624
US Dollar	(179)
Thai Baht	-
Singapore Dollar	45
Others	-
Total	4,490

Table 21: IRRBB – Impact on Economic Value

CIMB IB	
Currency	+100bps Increase (Decline) in Economic Value (RM '000, Value in RM Equivalent)
Ringgit Malaysia	649
US Dollar	9,955
Thai Baht	-
Singapore Dollar	(2)
Others	-
Total	10,602

The sign reflects the nature of the rate sensitivity, with a negative number indicating exposure to increase in interest rate and vice versa.

- [END OF SECTION] -