CITIBANK BERHAD

PILLAR 3 DISCLOSURE 2017

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Pillar 3 Disclosure

Attestation by CEO regarding Basel II – Pillar 3 Disclosure as at 31 December 2017

To the best of my knowledge I confirm that the Basel II – Pillar 3 disclosure for the financial year ended 31 December 2017 has been prepared and submitted to Bank Negara Malaysia in accordance with the Guideline on Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3).

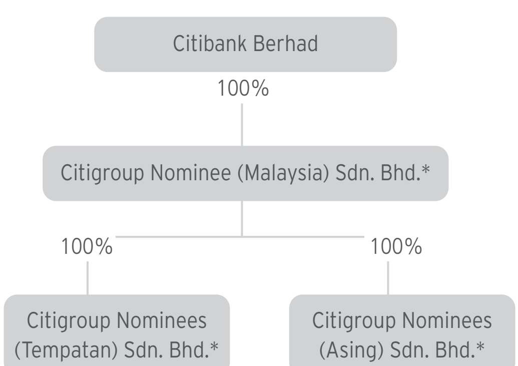
Lee Lung Nien, FCB
Chief Executive Officer
Citibank Berhad
Date: 30 March 2018

Pillar 3 Disclosure

1. Introduction

Citibank Berhad was incorporated in Malaysia on 22 April 1994 and has its registered office at 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia. The Bank is licensed under the Financial Services Act 2013 ("FSA"). The Bank also operates an Islamic window under the Islamic Banking Scheme licensed under the Islamic Financial Services Act 2013 ("IFSA").

The group organization structure of Citibank Berhad is detailed below:-



**Principal activity is as a nominee company*

The Group is comprised of the Bank (Citibank Berhad) and its subsidiary companies. The subsidiaries of Citibank Berhad are consolidated using the purchase method of accounting. The basis of consolidation for financial accounting purposes is the same as that used for regulatory purposes.

The Capital Requirements Directive (CRD), often referred to as Basel II, introduced the need for banks operating under this new legislative framework to publish certain information relating to their risk management and capital adequacy. The disclosure of this information is known as Pillar 3 and is designed to complement the other two pillars of the Basel II, namely the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The disclosure has been prepared in accordance with the Guidelines for Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) (BNM/RH/GL 001-32) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3) (BNM/RH/GL 007-18) issued by Bank Negara Malaysia ("BNM").

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) reissued on 15 June 2017 which became effective immediately. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET 1 capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

1. Introduction (continued)

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions.

There are no significant restrictions or major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

This Pillar 3 disclosure should be read in conjunction with Citibank Berhad's Financial Statements for the corresponding financial year.

2. Capital Adequacy

Capital Management & Internal Capital Adequacy Assessment Process

BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - ICAAP (Pillar 2) guideline requires a banking institution to have an Internal Capital Adequacy Assessment Process ("ICAAP"). ICAAP is the Bank's internal assessment of capital adequacy, with due attention to material risks. The Bank has designed an ICAAP policy, which is an essential risk management tool to assess the Bank's potential vulnerabilities during stressed conditions. The policy describes procedures of risk assessment, mitigation and capital required under base and stressed scenarios.

The Bank's capital management is designed to ensure that it maintains sufficient capital consistent with the Bank's risk profile and all applicable regulatory standards and guidelines. The Bank adopts a balanced approach in risk taking, balancing senior management and Board of Directors oversight with well-defined independent risk management functions. The Board engages senior management regularly in key activities that may impact capital assessment and adequacy.

As part of the internal capital management process, the Bank has put in place the following:

(i) 3-year capital plan, whereby the Bank's capital requirements are determined by taking into account its business and strategic plans and financial budget.

(ii) Internal Capital Targets ("ICT") that factors the following:

- Minimum capital as required under Basel III to meet the Bank's business plans;
- Material and quantifiable Pillar 2 risks where capital has not been set aside under Pillar 1; and
- The difference between capital ratios under stressed circumstances and normal circumstances.

(iii) Identified sources of internal capital available to meet the Bank's capital requirements.

Corporate Governance Structure for ICAAP

The Board of Directors and senior management of the Bank are responsible for understanding the nature and level of risks being taken by the Bank, ensuring that the Bank maintains adequate capital beyond the regulatory minimum to support such risk. ICAAP is driven by the ICAAP working group and oversees by the ICAAP steering committee. The working group would initiate the annual ICAAP process by applying the stress test scenarios developed to assess against the impact towards capital adequacy. The ICAAP steering committee comprise of seniors from risk managers, finance, treasury and compliance. The ICAAP Steering Committee approves key decisions, reviews results, monitors progress on issue resolution, and participates in the discussion of contingent plans if the capital is found to be insufficient.

In addition, The Bank's capital levels are monitored against the trigger limits for ICT and are reported to the Asset and Liability Committee (ALCO) and Board. In addition, the Bank's capital contingency plan is also put in place to set out the actions required if the ICT is triggered.

2. Capital Adequacy (continued)

Risk identification

The Bank is primarily engaged in providing commercial and retail banking services, ranging from mass segment to more affluent segment. The Bank's considers the risks in both the day-to-day running and strategic planning of the business. The identification and management of material risks is a key component of an effective control environment. The Bank's risk identification processes are robust, comprehensive, rigorous and dynamic to the changing macro and micro factors affecting the Bank's business environment. The process is shown as below:

Under the Bank's risk identification process, Pillar 1 risks such as credit risk, market risk and operational risks are assessed and thoroughly discussed along with external factors, including changes in demographic and economic landscape. The Bank will also consider other risks that are not captured under Pillar 1, such as Pillar 2 risks, which include strategic risk, reputational risk, liquidity risk, compliance risk, Shariah risk, and interest rate on banking book risk. The bank is to determine how the material risks affect the Bank's overall capital adequacy and develop a strategy for maintaining adequate capital levels consistent with the Bank's risk profile, and taking into account its strategic focus and business plans as well as its control environment.

The Bank's ICAAP is expected to be dynamic and forward-looking in relation to the Bank's risk profile. Therefore, the Bank has to ensure its capital levels remain above the total minimum regulatory capital requirements as well as the capital required to support its overall risk profile. A rigorous and forward-looking stress testing is included in the Bank's ICAAP, enabling it to assess the impact to its capital adequacy arising from adverse events or changes in market conditions.

Stress Tests

The stress tests performed by the Bank cover both financial statements as well as the material risks. Stress tests cover both the wholesale and retail portfolios through the application of downside scenarios to the base case established. The stress scenarios are developed by the Country Risk Manager in consultation with the Country Economist. The scenarios assumed a set of economic and geopolitical pressures, which has significant impact on Malaysia's macro-economic performance. The Bank then assesses the stress impact on the financial, capital and liquidity position.

Integration of the risk management and capital management procedures

The results of the stress testing on balance sheets and material risk will then be considered to determine if the Bank will continue to have sufficient capital under the stress scenario and if the Bank's capital should be further strengthen under tail-end adverse scenarios under reverse stress test.

Based on the current internal capital adequacy assessment, the Bank has adequate capital to support its current and future activities for the next three years.

Other than paid up capital of the Bank, the bank's capital is historically generated via retained earnings from the business.

2. Capital Adequacy (continued)

The risk weighted assets and Capital Adequacy Ratios of Citibank Berhad are as follows:-

	Dec 2017 RM'000	Dec 2016 RM'000
Computation of Total Risk Weighted Assets (RWA)		
Total Credit RWA	21,028,798	24,182,073
Credit RWA Absorbed by PSIA[1]	-	-
Total Market RWA	1,643,230	991,767
Market RWA Absorbed by PSIA[1]	-	-
Total Operational RWA	3,731,917	3,567,208
Large Exposure Risk RWA for Equity Holdings	-	-
Total Risk Weighted Assets	26,403,945	28,741,048
Computation of Capital Ratios		
Common Equity Tier I ("CET 1") Capital	4,789,945	4,565,678
Tier 1 Capital	4,789,945	4,565,678
Total Capital	5,052,805	4,909,581
Before deducting proposed dividends		
Common Equity Tier I ("CET 1") capital ratio	18.141%	15.886%
Tier 1 capital ratio	18.141%	15.886%
Total capital ratio	19.137%	17.082%
After deducting proposed dividends / dividend payment		
Common Equity Tier I ("CET 1") capital ratio	16.323%	13.972%
Tier 1 capital ratio	16.323%	13.972%
Total capital ratio	17.319%	15.169%

The risk weighted assets and Capital Adequacy Ratios for the Islamic Banking Window are as follows:-

	Dec 2017 RM'000	Dec 2016 RM'000
Computation of Total Risk Weighted Assets (RWA)		
Total Credit RWA	310,561	536,379
Credit RWA Absorbed by PSIA[1]	(235,817)	(448,535)
Total Market RWA	-	22
Market RWA Absorbed by PSIA[1]	-	-
Total Operational RWA	104,519	79,413
Large Exposure Risk RWA for Equity Holdings	-	-
Total Risk Weighted Assets	179,263	167,279
Computation of Capital Ratios		
Common Equity Tier I ("CET I") Capital	408,435	304,067
Tier 1 Capital	408,435	304,067
Total Capital	412,317	407,866
Common Equity Tier I ("CET I") capital ratio	227.841%	181.772%
Tier 1 capital ratio	227.841%	181.772%
Total capital ratio	230.007%	243.823%

No dividend is proposed under the Islamic Banking Window.
The above ratios are well above the regulatory requirements for total capital adequacy ratios of 8%.

[1] Profit Sharing Investment Account

2. Capital Adequacy (continued)

The following table details the classes of RWA and the types of exposure of the Group and the Bank as at 31 December 2017:-

Item	Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit risk (Standardized Approach)**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	9,488,490	9,488,490	81,099	-	81,099	6,488
	Public Service Entities	17	17	3	-	3	-
	Banks, Development Financial Institutions and MDBs	2,315,767	2,315,767	577,907	-	577,907	46,233
	Corporates, insurance cos and securities firms	5,111,695	4,929,070	4,471,812	-	4,471,812	357,745
	Regulatory Retail	7,474,622	7,474,622	5,608,675	-	5,608,675	448,694
	Residential Mortgages	10,338,059	10,338,059	3,738,037	-	3,738,037	299,043
	Higher Risk Assets	15,897	15,897	23,846	-	23,846	1,908
	Other Assets	421,367	421,367	308,290	-	308,290	24,663
	Defaulted Exposures	361,338	361,338	378,739	-	378,739	30,299
	Total for On-Balance Sheet Exposures	35,527,252	35,344,627	15,188,408	-	15,188,408	1,215,073
	Off-Balance Sheet Exposures						
	OTC Derivatives	1,910,447	1,910,447	904,673	-	904,673	72,374
	Credit Derivatives	-	-	-	-	-	-
	Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	6,051,778	6,018,417	4,923,251	-	4,923,250	393,860
	Defaulted Exposures	11,487	11,487	12,466	-	12,466	997
	Total for Off-Balance Sheet Exposures	7,973,712	7,940,351	5,840,390	-	5,840,389	467,231
	Total On and Off-Balance Sheet Exposures	43,500,964	43,284,978	21,028,798	-	21,028,797	1,682,304
2.0	**Large exposure risk requirement**	-	-	-	-	-	-

Item	Exposure Class	Long position	Short position	Net position	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
3.0	**Market risk (Standardized Approach)**							
	Interest rate risk	224,399	227,600	(3,201)	918,504	-	918,504	73,480
	Foreign currency risk	31,248	585,093	(553,845)	585,093	-	585,093	46,807
	Equity risk	-	-	-	-	-	-	-
	Commodity risk	-	-	-	-	-	-	-
	Options risk	2,583	-	2,583	139,633	-	139,633	11,171
	Inventory risk	-	-	-	-	-	-	-
4.0	**Operational risk (Basic Indicator Approach)**				3,731,917	-	3,731,917	298,553
	Total RWA				26,403,945	-	26,403,944	2,112,315

2. Capital Adequacy (continued)

The following tables details the classes of RWA and the types of exposure of the Islamic Banking Window as at 31 December 2017:-

Item	Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	2,347,534	2,347,534	-	-	-	-
	Banks, Development Financial Institutions and MDBs	6,833	6,833	3,418	-	3,418	273
	Corporates, insurance cos and securities firms	235,817	235,817	235,817	(235,817)	-	-
	Residential Mortgages	183,572	183,572	64,262	-	64,262	5,141
	Other Assets	4,535	4,535	2,114	-	2,114	169
	Defaulted Exposures	4,948	4,948	4,948	-	4,948	396
	Total for On-Balance Sheet Exposures	2,783,239	2,783,239	310,559	(235,817)	74,742	5,979
	Off-Balance Sheet Exposures						
	OTC Derivatives	-	-	-	-	-	-
	Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	7	7	2	-	2	-
	Defaulted Exposures	-	-	-	-	-	-
	Total for Off-Balance Sheet Exposures	7	7	2	-	2	-
	Total On and Off-Balance Sheet Exposures	2,783,246	2,783,246	310,561	(235,817)	74,744	5,979

Item	Exposure Class	Long position	Short position	Net position	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
2.0	**Large exposure risk requirement**	-	-	-	-	-	-	
3.0	**Market risk (Standardized Approach)**							
	Benchmark rate risk	-	-	-	-	-	-	-
	Foreign currency risk	-	-	-	-	-	-	-
	Equity risk	-	-	-	-	-	-	-
	Commodity risk	-	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-	-
	Inventory risk	-	-	-	-	-	-	-
4.0	**Operational risk (Basic Indicator Approach)**				104,519	-	104,519	8,362
	Total RWA				415,080	(235,817)	179,263	14,341

2. Capital Adequacy (continued)

The following table details the classes of RWA and the types of exposure of the Group and the Bank as at 31 December 2016:-

Item	Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk (Standardized Approach)**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	12,941,407	12,941,407	179,525	-	179,525	14,362
	Public Service Entities	-	-	-	-	-	-
	Banks, Development Financial Institutions and MDBs	3,192,654	3,192,654	707,139	-	707,139	56,571
	Corporates, insurance cos and securities firms	6,044,581	5,930,562	5,806,045	-	5,806,045	464,484
	Regulatory Retail	7,579,609	7,440,782	5,589,406	-	5,589,406	447,152
	Residential Mortgages	10,522,793	10,522,793	3,792,460	-	3,792,460	303,397
	Higher Risk Assets	1,040	1,040	1,560	-	3,948	316
	Other Assets	434,608	434,608	332,262	-	332,262	26,581
	Defaulted Exposures	398,237	397,948	402,589	-	400,201	32,016
	Total for On-Balance Sheet Exposures	41,114,929	40,861,794	16,810,986	-	16,810,986	1,344,879
	Off-Balance Sheet Exposures						
	OTC Derivatives	2,871,529	2,871,529	1,797,714	-	1,797,714	143,817
	Credit Derivatives	-	-	-	-	-	-
	Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	6,987,602	6,958,261	5,561,872	-	5,561,872	444,950
	Defaulted Exposures	10,147	10,147	11,501	-	11,501	920
	Total for Off-Balance Sheet Exposures	9,869,278	9,839,937	7,371,087	-	7,371,087	589,687
	Total On and Off-Balance Sheet Exposures	50,984,207	50,701,731	24,182,073	-	24,182,073	1,934,566

Item	Exposure Class	Long position	Short position	Net position	Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
2.0	**Large exposure risk requirement**	-	-	-	-	-	-	
3.0	**Market risk (Standardized Approach)**							
	Interest rate risk	226,142	211,569	14,573	902,582	-	902,582	72,207
	Foreign currency risk	80,822	77,155	3,667	80,822	-	80,822	6,466
	Equity risk	-	-	-	-	-	-	-
	Commodity risk	-	-	-	-	-	-	-
	Options risk	5,247	685	4,562	8,363	-	8,363	669
	Inventory risk	-	-	-	-	-	-	-
4.0	**Operational risk (Basic Indicator Approach)**				3,567,208	-	3,567,208	285,377
	Total RWA				28,741,048	-	28,741,048	2,299,284

2. Capital Adequacy (continued)

The following tables details the classes of RWA and the types of exposure of the Islamic Banking Window as at 31 December 2016:-

Item	Exposure Class	Gross Exposures RM'000	Net Exposures RM'000		Risk Weighted Assets RM'000	Risk Weighted Assets Absorbed by PSIA RM'000	Total Risk Weighted Assets after effects of PSIA RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**							
	On-Balance Sheet Exposures							
	Sovereigns/Central Banks	1,706,105	1,706,105		-	-	-	-
	Banks, Development Financial Institutions and MDBs	3,408	3,408		1,704	-	1,704	136
	Corporates, insurance cos and securities firms	448,553	448,553		448,553	(448,535)	18	1
	Residential Mortgages	213,480	213,480		74,718	-	74,718	5,977
	Other Assets	10,226	10,226		6,994	-	6,994	560
	Defaulted Exposures	4,407	4,407		4,407	-	4,407	353
	Total for On-Balance Sheet Exposures	2,386,179	2,386,179		536,376	(448,535)	87,841	7,027
	Off-Balance Sheet Exposures							
	OTC Derivatives	-	-		-	-	-	-
	Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	7	7		2	-	2	-
	Defaulted Exposures	-	-		-	-	-	-
	Total for Off-Balance Sheet Exposures	7	7		2	-	2	-
	Total On and Off-Balance Sheet Exposures	2,386,186	2,386,186		536,378	(448,535)	87,843	7,027
2.0	**Large exposures risk requirement**	-	-	-	-	-	-	
3.0	**Market risk (Standardized Approach)**	Long position	Short position	Net position				
	Benchmark rate risk	2	-	2	22	-	22	2
	Foreign currency risk	-	-	-	-	-	-	-
	Equity risk	-	-	-	-	-	-	-
	Commodity risk	-	-	-	-	-	-	-
	Options risk	-	-	-	-	-	-	-
	Inventory risk	-	-	-	-	-	-	-
4.0	**Operational risk (Basic Indicator Approach)**				79,413	-	79,413	6,353
	Total RWA				615,813	(448,535)	167,278	13,382

3. Capital Structure

The following details the capital structure for the Group and Bank:

	Group and Bank	
	Dec 2017 RM'000	Dec 2016 RM'000
CET 1 Capital		
Paid up ordinary share capital	502,000	121,697
Share premium	-	380,303
Retained earnings	4,386,521	4,051,744
Other reserves	(19,533)	65,804
Less: Deferred tax assets, net	(77,348)	(52,606)
Less: Defined benefit pension fund assets	(1,695)	(1,264)
Less: 55% of cumulative gains of AFS financial instruments (other than financing and receivables)	-	-
Total CET 1 Capital	4,789,945	4,565,678
Innovative Tier 1 capital securities	-	-
Non-innovative Tier 1 stapled securities	-	-
Qualifying CET 1 and additional Tier 1 capital instruments held by third parties	-	-
Total Tier 1 Capital	4,789,945	4,565,678
Tier 2 Capital		
Collective impairment provisions and regulatory reserves	262,860	343,903
Total Tier 2 Capital	262,860	343,903
Total Eligible Tier 2 Capital	262,860	343,903
Less: Investment in subsidiary companies	-	-
Capital Base	5,052,805	4,909,581

The following details the capital structure for the Islamic Banking Window:

	Dec 2017 RM'000	Dec 2016 RM'000
CET 1 Capital		
Fund allocated	20,000	20,000
Retained earnings	388,435	284,067
Other reserves	-	-
Less: Deferred tax assets, net	-	-
Less: 55% of cumulative gains of AFS financial instruments (other than financing and receivables)	-	-
Total CET 1 Capital	408,435	304,067
Innovative Tier 1 capital securities	-	-
Non-innovative Tier 1 stapled securities	-	-
Qualifying CET 1 and additional Tier 1 capital instruments held by third parties	-	-
Total Tier 1 Capital	408,435	304,067
Tier 2 Capital		
Collective impairment provisions and regulatory reserves	3,882	103,799
Total Capital	412,317	407,866

The capital structure of the Group and the Bank as disclosed above does not have any specific terms and conditions attached to them.

4. Risk Management

A sound risk management process, strong internal controls and well documented policies and procedures are the foundation for ensuring the safety and soundness of the Bank. The Board and Senior Management ensure that capital levels are adequate for the Bank's risk profile. They also ensure that the risk management and control processes are appropriate in the light of the Bank's risk profile and business plans.

The Bank has put in place a risk management system, which leverages in part the risk management framework developed by Citigroup, to oversee and monitor material risks faced by the Bank, including credit, market and operational risks. The Audit Committee assists the Board in overseeing legal, compliance and operational risks and is supported by the Bank's audit and compliance functions. The Audit Committee will review the audit findings of the compliance and internal audit functions at its quarterly meetings, including management's response to the audit findings and progress of the related corrective action plans. The Bank's management, Audit Committee and relevant bank personnel will update the Board during its quarterly meetings about pertinent operational, legal and compliance risk management issues which have arisen during the quarter such as reporting risk positions and performance, capital requirements, risk and control limits.

The Bank has a Risk Management Committee, which together with the Audit Committee and management team assists the Board in fulfilling its oversight responsibility relating to the establishment and operation of a risk management system. The Risk Management Committee has particular oversight of credit, market and liquidity risk; reviews acquisition and disposal of large securities positions of the Bank; and monitors the progress of the Basel II implementation.

The compositions of the Audit Committee and Risk Management Committee are disclosed in the Statement of Corporate Governance in Citibank Berhad's Annual Report.

Strategies & Policies

The Bank's risk management framework recognizes the diversity of the organization's activities by balancing the Board's strong supervision with well-defined independent risk management functions within each business area.

The risk management framework is firmly based on the following six principles, applicable across the board for all businesses and risk types:

- Risk management policies are integrated with business plans and strategies;
- All risks and returns resulting from this are owned and managed by an accountable business unit;
- All risks are managed within a limited framework while the risk limits are endorsed by the business management and approved by an independent risk management organization;
- All risk management policies are clearly and formally documented;
- All risks are measured using well defined methodologies, including stress testing; and
- All risks are comprehensively reported across the organization.

Risks are regularly reviewed by independent risk managers, senior business managers and whenever appropriate, by the Board of Directors themselves.

The independent risk managers are responsible for establishing and implementing risk management policies and practices within their business units while ensuring consistency with Citi's corporate standards.

The independent risk managers are ultimately accountable to the Board and on a day-to-day basis; they are also individually responsible for meeting and responding to the needs of their respective business units, apart from overseeing their existing portfolio risks.

The Bank maintains an approved hedging program, which aims to hedge its foreign exchange risks arising from its available-for-sale assets by designating a portfolio of eligible foreign exchange contracts as the hedging instruments. On a monthly basis, retrospective and prospective assessments are performed to monitor the hedging effectiveness.

To assess adequacy of the bank's capital to support its current and future activities, the bank has identified material risks applicable to the Citibank Berhad's lines of business, in accordance with the Guidelines for Risk Weighted Capital Adequacy Framework

4. Risk Management (continued)

(Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) issued by BNM (BNM/RH/GL 001-33). Material risks are regularly reviewed by senior management and presented to the Board of Directors. For the purpose of Pillar 3, the following material risks are discussed in this document: Credit Risk, Market Risk (comprising Price Risk, Liquidity Risk, Interest Rate Risk in the Banking Book ("IRRBB")) and Operational Risk.

5. Credit Risk

5.1 Credit Risk management policy

While business managers and independent risk management are jointly responsible for managing the risk/return tradeoffs as well as establishing limits and risk management practices, the origination and approval roles are clearly defined and segregated.

In addition to conforming to established corporate standards, independent credit risk management is responsible for establishing local policies that comply with local regulations and any other relevant legal requirements.

These standards will cover credit origination, measurement and documentation as well as problem recognition, classification and remedial actions. In addition, specific write-off criterion is set according to Citigroup's corporate requirements or the BNM guideline BNM/RH/GC-007-17on Classification and Impairment Provisions for Loans/Financing, whichever is more stringent.

Independent credit risk management is also responsible for implementing portfolio limits, including obligor limits through risk rating, maturity and business segments to ensure diversification of portfolio. The Risk management team also evaluates the immediate to long term risks for all products and segments thus providing for profitability on a long term sustainable basis.

Continuous monitoring of credit behavior aided by sophisticated debt rating modules, plus portfolio delinquency performance allows independent credit risk management to constantly assess the health of the credit portfolio.

5.2 Definition of past due and impaired loans

Definition of past due loans are disclosed in Note 2(g) of the financial statements.

A loan is impaired when there is objective evidence that demonstrates that a loss event has occurred after the initial recognition of the loan, and that the loss event has an impact on the future cash flows of the loan.

Objective evidence that a loan or a loan portfolio is impaired includes observable data that could include the following loss events:-

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- observable data relating to a portfolio of financial assets such as:
  - i) adverse changes in the payment status of borrowers in the portfolio; and
  - ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Under the revised policy issued by BNM on Classification and Impairment Provisions for Loan Financing, if the repayment conduct of the loan is past due for more than 90 days of either principal, interest or both, the loan shall be classified as impaired. The Bank applies this policy in addition to the above when determining if a loan is impaired.

5.3 Impairment Provision

The Bank complies with the Malaysian Financial Reporting Standards ("MFRS") 139, Financial Instruments: Recognition and Measurement for loan impairment.

5. Credit Risk (continued)

5.3 Impairment Provision (continued)

5.3.1 Individual Impairment

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. For financial assets that are not individually significant assessment for impairment is done individually and/or collectively. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Impairment losses are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate.

5.3.2 Collective Impairment

For the purposes of the collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics by using a grading process that considers obligor type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the likelihood of receiving all amounts due under a facility according to the contractual terms of the assets being evaluated.

In assessing the collective impairment, the Bank uses methods as listed below depending on the loan portfolio:-

i) Statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether the current economic and credit conditions are such that the actual losses incurred are likely to be greater or less than suggested historical modeling. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate;

ii) Based upon historical delinquency flow rates, charge-off statistics and loss severity, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical modeling.

5.4 Distribution of loans, advances and financing

The following information on loans, advances and financing are disclosed in Note 7 in the financial statement as at 31 December 2016:-

1) Geographical distribution
2) Sector
3) Residual contractual maturity

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector

The following tables detail past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector as at 31 December 2017.

The information on impaired loans by sector and by geographic area and reconciliation of changes in loan impairment provisions are disclosed in Note 6 in the financial statements as at 31 December 2017.

5. Credit Risk (continued)

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector (continued)

5.5.1 Past due loans but not impaired

The following table details past due loans but not impaired by sector of the Group and the Bank as at 31 December 2017:

	RM'000
Primary agriculture	102
Mining and quarrying	-
Manufacturing	1,871
Electricity, gas, water	1,137
Construction	3,961
Wholesale, retail trade, restaurant and hotels	4,219
Transport, storage and communication	312
Finance, insurance, real estate, and business services	16,910
Education, health, household & others	1,441,502
Total	**1,470,014**

The following table details past due loans but not impaired by sector of the Islamic Banking Window as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	32,252
Total	**32,252**

The following table details past due loans but not impaired by sector of the Group and the Bank as at 31 December 2016:

	RM'000
Primary agriculture	2,039
Mining and quarrying	-
Manufacturing	19
Electricity, gas, water	379
Construction	2,726
Wholesale, retail trade, restaurant and hotels	3,117
Transport, storage and communication	-
Finance, insurance, real estate, and business services	17,023
Education, health, household & others	1,313,767
Total	**1,339,070**

The following table details past due loans but not impaired by sector of the Islamic Banking Window as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	33,311
Total	**33,311**

5. Credit Risk (continued)

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector (continued)

5.5.2 Individual impairment provision

The following table details individual impairment provision by sector of the Group and the Bank as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	10,268
Electricity, gas, water	-
Construction	83
Wholesale, retail trade, restaurant and hotels	708
Transport, storage and communication	629
Finance, insurance, real estate, and business services	3,100
Education, health, household & others	104,802
Community, social and personal services	-
Total	**119,590**

The following table details individual impairment provision by sector of the Islamic Banking Window as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	487
Community, social and personal services	-
Total	**487**

The following table details individual impairment provision by sector of the Group and the Bank as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	6,257
Electricity, gas, water	-
Construction	83
Wholesale, retail trade, restaurant and hotels	5,876
Transport, storage and communication	649
Finance, insurance, real estate, and business services	3,109
Education, health, household & others	108,978
Community, social and personal services	-
Total	**124,952**

The following table details individual impairment provision by sector of the Islamic Banking Window as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	515
Community, social and personal services	-
Total	**515**

5. Credit Risk (continued)

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector (continued)

5.5.3 Collective impairment provision

The following table details collective impairment provision (including collective impairment provision on impaired loans restricted from Tier II Capital by BNM of RM85.5 million) by sector of the Group and the Bank as at 31 December 2017:

	RM'000
Primary agriculture	208
Mining and quarrying	46,166
Manufacturing	17,291
Electricity, gas, water	57
Construction	487
Wholesale, retail trade, restaurant and hotels	8,037
Transport, storage and communication	7,820
Finance, insurance, real estate, and business services	14,868
Education, health, household & others	253,348
Community, social and personal services	106
Total	**348,388**

The following table details collective impairment provision (including collective impairment provision on impaired loans restricted from Tier II Capital by BNM of RM27.8 million) by sector of the Islamic Banking Window as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	31,024
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	664
Community, social and personal services	-
Total	**31,688**

The following table details collective impairment provision (including collective impairment provision on impaired loans restricted from Tier II Capital by BNM of RM72.4 million) by sector of the Group and the Bank as at 31 December 2016:

	RM'000
Primary agriculture	123
Mining and quarrying	23,079
Manufacturing	9,272
Electricity, gas, water	561
Construction	274
Wholesale, retail trade, restaurant and hotels	9,725
Transport, storage and communication	3,929
Finance, insurance, real estate, and business services	107,482
Education, health, household & others	261,825
Community, social and personal services	1
Total	**416,271**

The following table details collective impairment provision (including collective impairment provision on impaired loans restricted from Tier II Capital by BNM of RM0.20 million) by sector of the Islamic Banking Window as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	103,526
Education, health, household & others	478
Community, social and personal services	-
Total	**104,004**

5. Credit Risk (continued)

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector (continued)

5.5.4 Charges for individual impairment provision

The following table details charges for individual impairment provision by sector of the Group and the Bank as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	8,013
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	19,795
Community, social and personal services	-
Total	**27,808**

The following table details charges for individual impairment provision by sector of the Islamic Banking Window as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	22
Community, social and personal services	-
Total	**22**

The following table details charges for individual impairment provision by sector of the Group and the Bank as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	18,194
Community, social and personal services	-
Total	**18,194**

The following table details charges for individual impairment provision by sector of the Islamic Banking Window as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	27
Community, social and personal services	-
Total	**27**

5. Credit Risk (continued)

5.5 Impaired loans, past due loans, individual impairment provision, collective impairment provision, charges for individual impairment provision and write offs by sector (continued)

5.5.5 Write offs

The following table details write offs by sector of the Group and the Bank as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	3,702
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	5,028
Transport, storage and communication	19
Finance, insurance, real estate, and business services	10
Education, health, household & others	13,825
Community, social and personal services	-
Total	**22,584**

The following table details write offs by sector of the Islamic Banking Window as at 31 December 2017:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	15
Community, social and personal services	-
Total	**15**

The following table details write offs by sector of the Group and the Bank as at 31 December 2016:

	RM'000
Primary agriculture	6,790
Mining and quarrying	-
Manufacturing	24,067
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	11,330
Transport, storage and communication	-
Finance, insurance, real estate, and business services	4
Education, health, household & others	14,150
Community, social and personal services	-
Total	**56,341**

The following table details write offs by sector of the Islamic Banking Window as at 31 December 2016:

	RM'000
Primary agriculture	-
Mining and quarrying	-
Manufacturing	-
Electricity, gas, water	-
Construction	-
Wholesale, retail trade, restaurant and hotels	-
Transport, storage and communication	-
Finance, insurance, real estate, and business services	-
Education, health, household & others	88
Community, social and personal services	-
Total	**88**

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs)

In terms of assessing Counterparty Credit Risk, Citibank Berhad uses ratings by global agencies Fitch Ratings, Moody's Investor Services, and Standard & Poor's. Citibank Berhad also uses ratings from local agencies Rating Agency Malaysia (RAM) Berhad and Malaysian Rating Corporation (MARC) Berhad. These ECAIs are used to rate Corporates, Banking Institutions, Sovereigns and Central Banks.

The Bank uses a regional system called Asia Pacific Reveleus to calculate its risk weighted assets and this system receives its external ratings from a credit system that has a feed for external ratings from approved ECAIs. The mapping of external ratings to the respective counterparties and exposures is automated in the system.

The Bank uses issue-specific ratings for securities. In general, where no issue-specific rating exists, the credit rating assigned to the counterparty of a particular credit exposure is used. Where an exposure has neither an issue-specific rating nor counterparty rating, it is deemed as unrated.

The alignment of the alphanumerical scale of each recognized ECAIs used by Citibank Berhad is detailed in the table below:

CREDIT QUALITY GRADES AND ELIGIBLE ECAIs

Credit Quality Grade		**1**	**2**	**3**	**4**	**5**	**6**	**Unrated**
Reveleus CQG (Basel Credit Ratings)								
Rating Source	**Rating Agencies**	**AAA**	**A+**	**BBB+**	**BB+**	**B+**	**CCC+**	**Unrated**
Central	Fitch Ratings	AAA AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	BB+ BB BB-	B+ B B-	CCC+ CCC CCC- CC C D	
Central	Moody's Investor Services	Aaa Aa1 Aa2 Aa3	A1 A2 A3	Baa1 Baa2 Baa3	Ba1 Ba2 Ba3	B1 B2 B3	Caa1 Caa2 Caa3 Ca C	
Central	Standard & Poor's	AAA AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	BB+ BB BB-	B+ B B-	CCC+ CCC CCC- CC C D	
Local	Rating Agency Malaysia Berhad (RAM)	AAA Aa1 Aa2 Aa3	A1 A2 A3	BBB1 BBB2 BBB3	BB1 BB2 BB3	B1 B2 B3	C1 C2 C3 D	
Local	Malaysian Rating Corporation Berhad (MARC)	AAA AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	BB+ BB BB-	B+ B B-	C D	

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

The following tables show Citibank Berhad's rated and unrated exposures, by class, according to ratings by ECAIs:-

5.6.1 Ratings of Corporates by Approved ECAIs

Dec 2017
Group and Bank

	Ratings of Corporates by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	34,410	34,410
Insurance Cos, Securities Firms and Fund Managers		-	70,076	393	-	3,139	73,608
Corporates		317,886	26,959	143,524	607	7,063,412	7,552,388

Islamic Banking Window

	Ratings of Corporates by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-	-
Insurance Cos, Securities Firms and Fund Managers		-	-	-	-	-	-
Corporates		-	-	-	-	235,817	235,817

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

The following tables show Citibank Berhad's rated and unrated exposures, by class, according to ratings by ECAIs:-

5.6.1 Ratings of Corporates by Approved ECAIs

December 2016
Group and Bank

		Ratings of Corporates by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-	-
Insurance Cos, Securities Firms and Fund Managers		-	13,866	388	-	8,897	23,151
Corporates		3,328	44,209	713,833	-	8,109,184	8,870,554

Islamic Banking Window

		Ratings of Corporates by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to C	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	-	-
Insurance Cos, Securities Firms and Fund Managers		-	-	-	-	-	-
Corporates		-	-	-	-	448,553	448,553

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

5.6.2 Short term Ratings of Banking Institutions and Corporates by Approved ECAIs

This disclosure does not apply to Citibank Berhad as it uses long term ratings for all exposures.

5.6.3 Ratings of Sovereigns and Central Banks by Approved ECAIs

Dec 2017
Group and Bank

	Ratings of sovereigns/central banks by approved ECAIs (amounts in RM'000)							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Sovereigns/ Central Banks		402,430	9,086,683	-	-	-	-	9,489,113

Islamic Banking Window

	Ratings of sovereigns/central banks by approved ECAIs (amounts in RM'000)							
Exposure Class	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Sovereigns/ Central Banks		-	2,347,534	-	-	-	-	2,347,534

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

5.6.3 Ratings of Sovereigns and Central Banks by Approved ECAIs

December 2016
Group and Bank

Ratings of sovereigns/central banks by approved ECAIs (amounts in RM'000)

Exposure Class								
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Sovereigns/ Central Banks		175,084	12,870,788	-	-	-	-	13,045,872

Islamic Banking Window

Ratings of sovereigns/central banks by approved ECAIs (amounts in RM'000)

Exposure Class								
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Sovereigns/ Central Banks		-	1,706,105	-	-	-	-	1,706,105

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

5.6.4 Rating of Banking Institutions by Approved ECAIs

Dec 2017
Group and Bank

Ratings of banks, Development Financial Institutions and MDBs by approved ECAIs (amounts in RM'000)

	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1+ to BB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated	
Banks, Development Financial Institutions and MDBs		1,284,952	1,132,355	1,018,919	890	-	422,206	3,859,322

Islamic Banking Window

Ratings of banks, Development Financial Institutions and MDBs by approved ECAIs (amounts in RM'000)

	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1+ to BB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated	
Banks, Development Financial Institutions and MDBs		-	6,833	-	-	-	-	6,833

5. Credit Risk (continued)

5.6 External Credit Assessment Institutions (ECAIs) (continued)

5.6.4 Rating of Banking Institutions by Approved ECAIs

December 2016
Group and Bank

Ratings of banks, Development Financial Institutions and MDBs by approved ECAIs (amounts in RM'000)

	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1+ to BB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated	
Banks, Development Financial Institutions and MDBs		1,372,408	1,335,973	1,953,771	8	-	708,056	5,370,216

Islamic Banking Window

Ratings of banks, Development Financial Institutions and MDBs by approved ECAIs (amounts in RM'000)

	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	
Exposure Class	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	CCC+ to D	Unrated	Total
	RAM	AAA to AA3	A to A3	BBB1+ to BB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	BB+ to B-	C+ to D	Unrated	
Banks, Development Financial Institutions and MDBs		-	-	3,408	-	-	-	3,408

5. Credit Risk (continued)

5.7 Credit Risk Mitigation

Citibank Berhad uses credit risk mitigation for the following exposure classes:

1) Corporates
2) Regulatory Retail

Citibank Berhad uses eligible guarantees and financial collaterals which are primarily cash and equity for credit risk mitigation. At present, the Bank does not make use of credit derivatives and on and off-balance sheet netting in its credit risk mitigation process.

For the purpose of calculating and assessing Net Credit RWA, the Bank takes into account eligible collaterals pledged by the customers with the bank, that are primarily cash deposits and equities.

The Bank's Credit Department is guided by its Credit Policy and Procedures for collateral valuation and management. It marks to market the CRM eligible financial collateral value on a daily/weekly/monthly (whichever is applicable) basis. Collateral valuations and re-valuations must be completed daily for SFTs, OTC and Margin Lending by the various Operations Units and Collateral/Margin Departments. Collateral haircuts are applied in a number of circumstances such as where there is a material positive correlation between the credit quality of the counterparty and the value of the collateral, or where there are currency or maturity mismatches. The Bank has appropriately sound and well managed systems and procedures for requesting and promptly receiving additional collateral for transactions whose terms require maintenance of collateral values at specified thresholds as documented in the respective legal agreements.

The Bank has procedures to ensure that appropriate information is available to support the collateral process and to make timely and accurate margin calls feed correctly into the Margin applications from upstream systems. These also provide a daily credit exposure report. There are also reports identifying counterparties that have not met their requirement for additional collateral to satisfy specified initial margin amount and variation margin thresholds. In addition, there is risk reporting of counterparty exposures at an individual and an aggregated level.

As the end of December 2017, the Bank's gross credit exposure is RM 43,501 million, of which RM 690 million was offset by CRM. After applying required risk weights, the Bank's Credit RWA is RM 21,029 million. Given the immateriality of CRM, which is 1.6% of total credit exposure, asset class breakdowns are not provided and for the same reason, there is no CRM risk concentration exposure to the Bank.

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table shows the total exposure amounts after credit risk mitigation as at 31 December 2017:

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitization	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,083,619	-	-	-	-	-	-	-	110,736	-	-	-	9,194,355	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	405,494	34,410	2,962,967	-	319,651	-	-	-	2,691	-	-	-	3,725,213	745,043
35%	-	-	-	-	-	-	9,761,374	-	-	-	-	-	9,761,374	3,416,481
50%	-	-	779,597	70,076	495,840	-	487,608	-	-	-	-	-	1,833,121	916,561
75%	-	-	-	-	-	11,082,776	324,985	-	-	-	-	-	11,407,761	8,555,821
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	116,939	3,532	6,512,852	74,979	283,862	-	307,950	-	-	-	7,300,115	7,300,115
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	7,877	25,107	2,430	27,605	-	-	-	-	63,019	94,527
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	20	-	-	-	20	250
Total Exposures	9,489,113	34,410	3,859,503	73,608	7,336,220	11,182,862	10,860,259	27,605	421,397	-	-	-	43,284,978	21,028,798
Risk-Weighted Assets by Exposures	81,099	6,882	1,099,331	38,569	6,836,518	8,424,721	4,191,531	41,407	308,740	-	-	-		21,028,798
Average Risk Weight	1%	20%	28%	52%	93%	75%	39%	150%	73%	0%	0%	0%	49%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure amounts of the Islamic Banking Window after credit risk mitigation as at 31 December 2017:

Risk Weights	Exposures after Netting and Credit RIsk Mitigation													
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitization	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,347,534	-	-	-	-	-	-	-	2,376	-	-	-	2,349,909	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	-	-	-	-	-	-	56	-	-	-	56	11
35%	-	-	-	-	-	-	183,498	-	-	-	-	-	183,498	64,224
50%	-	-	6,833	-	-	-	81	-	-	-	-	-	6,914	3,457
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	235,817	-	4,949	-	2,103	-	-	-	242,869	242,869
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	2,347,534	-	6,833	-	235,817	-	188,528	-	4,535	-	-	-	2,783,246	310,561
Risk-Weighted Assets by Exposures	-	-	3,417	-	235,817	-	69,213	-	2,114	-	-	-		310,561
Average Risk Weight	0%	0%	50%	0%	100%	0%	37%	0%	47%	0%	0%	0%	11%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure amounts of the Group and the Bank after credit risk mitigation as at 31 December 2016:

	Exposures after Netting and Credit Risk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitization	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	12,148,249	-	-	-	-	-	-	-	102,577	-	-	-	12,250,826	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	897,624	-	3,849,403	-	6,531	-	-	-	-	-	-	-	4,753,558	950,712
35%	-	-	-	-	-	-	10,028,519	-	-	-	-	-	10,028,519	3,509,982
50%	-	-	1,056,640	12,866	378,728	-	441,433	-	-	-	-	-	1,889,667	944,833
75%	-	-	-	-	-	11,728,493	351,013	-	-	-	-	-	12,079,506	9,059,630
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	464,173	10,285	8,341,934	79,475	304,307	-	465,398	-	-	-	9,665,572	9,665,572
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	23,279	2,784	8,000	-	-	-	-	34,063	51,094
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	20	-	-	-	20	250
Total Exposures	13,045,873	-	5,370,216	23,151	8,727,193	11,831,247	11,128,056	8,000	567,995	-	-	-	50,701,731	24,182,073
Risk-Weighted Assets by Exposures	179,525	-	1,762,373	16,718	8,533,802	8,909,565	4,302,441	12,000	465,649	-	-	-		24,182,073
Average Risk Weight	1%	0%	33%	72%	98%	75%	39%	150%	82%	0%	0%	0%	48%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure amounts of the Islamic Banking Window after credit risk mitigation as at 31 December 2016:

	Exposures after Netting and Credit RIsk Mitigation													
Risk Weights	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitization	Equity	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,706,105	-	-	-	-	-	-	-	3,232	-	-	-	1,709,337	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35%	-	-	-	-	-	-	213,487	-	-	-	-	-	213,487	74,720
50%	-	-	3,408	-	-	-	-	-	-	-	-	-	3,408	1,704
75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	448,553	-	4,407	-	6,994	-	-	-	459,954	459,954
110%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
270%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1250%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Exposures	1,706,105	-	3,408	-	448,553	-	217,894	-	10,226	-	-	-	2,386,186	536,378
Risk-Weighted Assets by Exposures	-	-	1,704	-	448,553	-	79,127	-	6,994	-	-	-		536,378
Average Risk Weight	0%	0%	50%	0%	100%	0%	36%	0%	68%	0%	0%	0%	22%	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-		

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure which is covered by eligible guarantees and financial collaterals as at 31 December 2017:

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	9,488,490	-	-	-
Public Service Entities	17	-	-	-
Banks, Development Financial Institutions and MDBs	2,315,767	-	-	-
Corporates, insurance cos and securities firms	5,111,695	330,080	182,625	-
Regulatory Retail	7,474,622	-	-	-
Residential Mortgages	10,338,059	-	-	-
Higher Risk Assets	15,897	-	-	-
Other Assets	421,367	-	-	-
Defaulted Exposures	361,338	-	-	-
Total for On-Balance Sheet Exposures	35,527,252	330,080	182,625	-
Off-Balance Sheet Exposures				
OTC Derivatives	1,910,447	3,751	-	-
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	6,051,778	139,689	33,362	-
Defaulted Exposures	11,487	-	-	-
Total for Off-Balance Sheet Exposures	7,973,712	143,440	33,362	-
Total On and Off-Balance Sheet Exposures	43,500,964	473,520	215,986	-

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure which is covered by eligible guarantees and financial collaterals of the Islamic Banking Window as at 31 December 2017:

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	2,347,534	-	-	-
Banks, Development Financial Institutions and MDBs	6,833	-	-	-
Corporates, insurance cos and securities firms	235,817	-	-	-
Residential Mortgages	183,572	-	-	-
Other Assets	4,535	-	-	-
Defaulted Exposures	4,948	-	-	-
Total for On-Balance Sheet Exposures	2,783,239	-	-	-
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	7	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	7	-	-	-
Total On and Off-Balance Sheet Exposures	2,783,246	-	-	-

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure which is covered by eligible guarantees and financial collaterals as at 31 December 2016:

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	12,941,407	-	-	-
Banks, Development Financial Institutions and MDBs	3,192,654	-	-	-
Corporates, insurance cos and securities firms	6,044,581	234,747	114,019	-
Regulatory Retail	7,579,609	-	177,612	-
Residential Mortgages	10,522,793	-	-	-
Higher Risk Assets	1,040	-	-	-
Other Assets	434,608	-	-	-
Defaulted Exposures	398,237	-	366	-
Total for On-Balance Sheet Exposures	41,114,929	234,747	291,997	-
Off-Balance Sheet Exposures				
OTC Derivatives	2,871,529	55,180	-	-
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	6,987,602	47,196	29,342	-
Defaulted Exposures	10,147	-	-	-
Total for Off-Balance Sheet Exposures	9,869,278	102,376	29,342	-
Total On and Off-Balance Sheet Exposures	50,984,207	337,123	321,339	-

5. Credit Risk (continued)

5.7 Credit Risk Mitigation (continued)

The following table details the total exposure which is covered by eligible guarantees and financial collaterals for the Islamic Banking Window as at 31 December 2016:

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,706,105	-	-	-
Banks, Development Financial Institutions and MDBs	3,408	-	-	-
Corporates, insurance cos and securities firms	448,553	-	-	-
Residential Mortgages	213,480	-	-	-
Other Assets	10,226	-	-	-
Defaulted Exposures	4,407	-	-	-
Total for On-Balance Sheet Exposures	2,386,179	-	-	-
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-Balance Sheet exposures other than OTC derivatives or credit derivatives	7	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	7	-	-	-
Total On and Off-Balance Sheet Exposures	2,386,186	-	-	-

5.8 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The risk that a counterparty will not fulfill its financial obligations is fundamental in the bank's management of counterparty credit risk. The process for approving a counterparty's risk exposure limits is two-fold: guided by the core credit policies, procedures and standards, and the experience and judgment of credit risk professionals. All corporate exposures are subject to these credit policies.

Credit Risk Principles, Policies and Procedures mandate a comprehensive analysis of the proposed credit exposure or transaction, review of external agency ratings, financial and corporate due diligence including support, management profile and qualitative factors.

The total facility amount, including direct, contingent and pre-settlement exposure, is aggregated and the credit officer reviews the approved tables within policy that appoints the appropriate level of authority that needs to review and approve.

The utilization of collateral is of critical importance in the mitigation of risk. In house legal counsel in consultation with approved external legal counsel will determine whether collateral documentation is enforceable and gives the Bank the right to liquidate or take possession in a timely manner in the event of the default, insolvency, bankruptcy or other defined credit event of the obligor.

As mentioned in Section 5.7, majority of the collateral received is in the form of cash deposit and equities while the rest relate to guarantees, so the impact of a credit grading downgrade will have minimal impact on the collateral valuation.

5. Credit Risk (continued)

5.8 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

The following table shows the Group and Bank's off-balance sheet exposures and risk weighted assets as at 31 December 2017:

Item	Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
1	Direct Credit Substitutes	1,651,974		1,651,974	1,527,019
2	Transaction related contingent Items	491,885		245,942	216,789
3	Short Term Self Liquidating trade related contingencies	121,881		24,376	20,417
4	Assets sold with recourse	-		-	-
5	Forward Asset Purchases	1,540		1,540	770
6	Obligations under an on-going underwriting agreement	-		-	-
7	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)	-		-	-
8	Foreign exchange related contracts				
	One year or less	21,667,856	165,645	473,491	314,906
	Over one year to five years	1,638,160	163,316	267,568	108,371
	Over five years	21,054	393	3,972	3,972
9	Interest/Profit rate related contracts				
	One year or less	9,240,951	5,904	21,072	6,443
	Over one year to five years	28,077,833	75,421	849,506	298,154
	Over five years	1,803,846	32,578	143,077	84,945
10	Equity related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
11	Gold and other precious metal contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
12	Other commodity contracts				
	One year or less	680,797	61,191	128,106	68,273
	Over one year to five years	184,163	5,896	23,655	19,609
	Over five years	-	-	-	-
13	Credit Derivative Contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
14	OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
15	Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	824,093		412,047	348,277
16	Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	160,583		32,117	32,117
17	Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrowers creditworthiness	12,585,530		-	-
18	Unutilised credit card lines	18,476,346		3,695,269	2,790,328
19	Off-balance sheet items for securitisation exposures	-		-	-
20	Total	97,628,493	510,344	7,973,712	5,840,390

5. Credit Risk (continued)

5.8 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

The following table shows the Islamic Banking Window's off-balance sheet exposures and risk weighted assets as at 31 December 2017:

Item	Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
1	Direct credit substitutes	-		-	-
2	Transaction related contingent Items	-		-	-
3	Short Term Self Liquidating trade related contingencies	-		-	-
4	Assets sold with recourse	-		-	-
5	Forward asset purchases	-		-	-
6	Obligations under an on-going underwriting agreement	-		-	-
7	Commitment to buy back Islamic securities under sales and buy back agreement transactions	-		-	-
8	Foreign exchange related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
9	Benchmark rate related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
10	Equity related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
11	Gold and other precious metal contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
12	Other commodity contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
13	OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
14	Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	14		7	2
15	Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
16	Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrowers creditworthiness	-		-	-
17	Unutilised credit card lines	-		-	-
18	Off-balance sheet items for securitisation exposures	-		-	-
	Total	14	-	7	2

5. Credit Risk (continued)

5.8 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

The following table shows the Group and Bank's off-balance sheet exposures and risk weighted assets as at 31 December 2016:

Item	Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
1	Direct Credit Substitutes	1,693,459		1,693,459	1,590,727
2	Transaction related contingent Items	642,387		321,193	295,591
3	Short Term Self Liquidating trade related contingencies	353,670		70,734	53,391
4	Assets sold with recourse	-		-	-
5	Forward Asset Purchases	114,755		114,755	5,645
6	Obligations under an on-going underwriting agreement	-		-	-
7	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)	-		-	(0)
8	Foreign exchange related contracts				
	One year or less	33,705,237	1,050,163	1,636,785	1,246,241
	Over one year to five years	3,302,964	257,268	509,417	246,043
	Over five years	24,155	-	4,348	4,348
9	Interest/Profit rate related contracts				
	One year or less	6,520,980	14,248	25,349	9,331
	Over one year to five years	17,150,733	68,408	484,752	160,340
	Over five years	1,474,873	47,740	138,604	88,172
10	Equity related contracts				
	One year or less	51,735	1,173	4,278	3,066
	Over one year to five years	-	1	-	-
	Over five years	-	-	-	-
11	Gold and other precious metal contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
12	Other commodity contracts				
	One year or less	333,596	33,149	66,509	39,427
	Over one year to five years	-	1,487	1,487	745
	Over five years	-	-	-	-
13	Credit Derivative Contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
14	OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
15	Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	625,062		312,531	218,403
16	Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	461,873		92,375	92,375
17	Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,720,832		-	-
18	Unutilised credit card lines	21,963,510		4,392,702	3,317,242
19	Off-balance sheet items for securitisation exposures	-		-	-
20	Total	96,139,821	1,473,637	9,869,278	7,371,087

5. Credit Risk (continued)

5.8 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

The following table shows the Islamic Banking Window's off-balance sheet exposures and risk weighted assets as at 31 December 2016:

Item	Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
1	Direct credit substitutes	-		-	-
2	Transaction related contingent Items	-		-	-
3	Short Term Self Liquidating trade related contingencies	-		-	-
4	Assets sold with recourse	-		-	-
5	Forward asset purchases	-		-	-
6	Obligations under an on-going underwriting agreement	-		-	-
7	Commitment to buy back Islamic securities under sales and buy back agreement transactions	-		-	-
8	Foreign exchange related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
9	Benchmark rate related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
10	Equity related contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
11	Gold and other precious metal contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
12	Other commodity contracts				
	One year or less	-	-	-	-
	Over one year to five years	-	-	-	-
	Over five years	-	-	-	-
13	OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
14	Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	14		7	2
15	Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	-		-	-
16	Any commitments that are unconditionally cancelled 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	Unutilised credit card lines	-		-	-
18	Off-balance sheet items for securitisation exposures	-		-	-
	Total	14	-	7	2

6. Securitization

At present, Citibank Berhad does not have any exposures to securitization transactions. Hence, this disclosure is not applicable.

7. Market Risk

Market risk encompasses price risk and liquidity risk, both arising in the normal course of business operations in a global financial intermediary. At Citibank Berhad, market risk is managed through corporate-wide standards, business policies and procedures with the help of responsible personnel and committees delegated by the Board of Directors (for example, the Asset and Liability Committee and Market Risk Management).

The business is required to establish risk measures, limits and controls, clearly defining approved risk profiles within the parameters of the Bank's overall risk appetite.

The result of every risk assessment and review exercise is then presented to the Board of Directors for feedback and recommended action (if necessary).

7.1 Price Risk

Price risk is the risk associated to earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices (wherever relevant) and in their implied volatilities. Price risk arises in both non-trading portfolios and trading portfolios.

Interest rate risk in non-trading portfolios is inherent in many client-related activities, primarily lending and deposit taking from both individuals and corporations.

The risk arises due to factors including the timing of rate resetting and maturity period between assets and liabilities, change in the profile of assets and liabilities whereby the maturity period differs in response to alterations in market interest rates, changes in the form of the yield curve and modifications in the spread between various market rate indices.

Interest Rate Exposure (IRE) is used as a tool to monitor such interest rate risk and is calculated as the pre-tax earning impact of an instantaneous parallel increase or decrease in the yield curve.

IRE is supplemented with additional measurements including stress testing the impact on earnings and equity for non-linear interest rate movements and analysis of portfolio duration, basis risk, spread risk, volatility risk and cost-to-close.

Price risk in trading portfolios is measured through a complementary set of tools such as factor sensitivities, value-at-risk and stress testing.

It is the responsibility of the independent market risk management to ensure that factor sensitivities are calculated, monitored and in most cases limited, for all relevant risks taken in a trading portfolio. In addition, stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements.

7.2 Liquidity Risk

Liquidity is the ability of a financial institution to fund increases in assets and meet obligations as they come due at a reasonable cost. Liquidity risk represents the potential loss arising from the inability to access liquidity to meet all obligations as and when due without adversely affecting daily operations or the financial condition of the firm.

The Bank complies with both Citi's liquidity and funding policy as well as BNM's liquidity requirements, in the management, monitoring and measurement of liquidity risk within a high effective process. The Bank has established a robust control framework which ensures that liquidity risk is effectively managed within predefined and agreed risk tolerances. The control framework incorporates the following.

- Annual Funding Liquidity Plan (FLP) – being integrated into the overall Citi liquidity and funding process, and the liquidity monitoring framework where under the Liquidity Risk Management Policy, there is a single set of standards for the measurement, reporting and management of liquidity risk in order to ensure consistency across businesses, stability in methodologies, and transparency of risk. The FLP is prepared jointly by Corporate Treasury and Local Markets Treasury, owned by the Country Treasurer and endorsed by the Country ALCO. It is then approved by the Regional

7. Market Risk (continued)

7.2 Liquidity Risk (continued)

Market Risk Manager & Regional Treasurer and finally approved by the local Board of Director prior to implementation in fulfillment of BNM's expectations

- Annual Contingency Funding Plan (CFP) – this is normally prepared as part of the FLP submission where it includes a series of alternatives that can be used by Treasury in a liquidity event and action plan to manage liquidity through stressed conditions. The approval process goes through the same course as per FLP. The operational viability testing takes place at least once a year

- Daily Management and Monitoring of Limits – carried out by Country Treasury team, Local Markets Treasury team and Independent Market Risk Manager

- Management Oversight - from the Country Asset and Liabilities Committees (ALCO), local Board of Directors (Board) and Regional Corporate Treasury

A series of standard firm wide liquidity ratios has been established to monitor the structural elements of the Bank's liquidity. Triggers for management discussion (including at ALCO) which may result in other actions have been set against particular ratios, drawing attention to local and regional teams.

- Liquidity Stress Testing (daily & monthly) - Intended to quantify the likely impact of an event on the balance sheet and liquidity position and to identify viable alternatives that can be utilized in a liquidity event. The base objective and goal of Citi's liquidity risk management is that each entity be stress tested and proved to be self-sufficient (i.e. no "Stress Funding Shortfall") under its designated stress scenarios.

- Liquidity Ratios and Concentration Exposures (monthly) - Used to measure and monitor the structural liquidity of the balance sheet and concentration of funding.

- Liquidity Market Triggers (as & when) - Liquidity market triggers are internal or external indicators that may imply a change to market liquidity or Citi's access to the markets

- Regulatory Requirements - It is the Bank's policy to comply with all regulatory requirements in relation to funding and liquidity risk.

8. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in all activities, products, and services of financial institution and can transverse multiple activities and business lines within the financial institutions. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. It thus includes the risk of failing to comply with applicable laws, regulations, ethical standards or Citi policies and legal risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Operational Risk also includes reputation and franchise risks associated with Citi's business practices or market conduct. Please also refer to the section related to reputational risk.

Operational risk does not encompass strategic risks or the risk of loss resulting solely from authorized judgements made with respect to taking credit, market, liquidity or insurance risk.

There is an Operational Risk Management Policy in place. This Policy applies to Citigroup Inc. ("Citigroup") and its consolidated subsidiaries including Citibank, N.A. ("CBNA") (collectively "Citi"). Any business-level policies on this subject must be consistent with the requirements of this Policy. The objective of the Operational Risk Management Policy is to establish a consistent Operational Risk Management Framework for assessing and communicating operational risk and the overall effectiveness of the internal control environment across Citi. The process established by the ORM Framework is expected to lead to effective anticipation and mitigation of operational risk and improved operational risk loss experience and includes the following steps:

8. Operational Risk (continued)

- Identify and assess Key Operational Risks (KOR);
- Design controls to mitigate identified risks;
- Establish Key Risk Indicators (KRI);
- Implement a process for early problem recognition and timely escalation;
- Produce comprehensive operational risk reporting; and
- Ensure that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

In addition to the aforesaid mentioned Global Operational Risk Policy there is also a BNM issued Operational Risk Policy which is effective 9 May 2017. The BNM issued Policy covers following sections in detail:

A. Board Oversight

B. Senior Management Responsibilities

C. Responsibilities of Enterprise Operational Risk Management Function

D. Internal Audit Review

E. Sound Internal Control Environment

F. Identification and Assessment of Operational Risks

G. Operational Risk Response and Mitigation Strategies

H. Operational Risk Indicators, Metrics and Loss Events

I. Operational Risk Reporting

Bank management places a very high value on maintaining an effective control environment to mitigate operational risk through strong governance and proactive risk management.

Operational Risk Management is reinforced through the implementation of the Operational Risk Framework which ensures initiatives under the following broad heads:

- Strong Risk Culture and Awareness
- Issuance and implementation of Policies and Procedures
- Risk Identification, Risk Assessment and Risk Monitoring
- Stronger Risk Monitoring, Risk measurement and Risk Capital
- Strong Governance and Escalation Process
- Clearly defined Role and Responsibility of Three Lines of Defense

9. Equity Exposures in the Banking Book

Investments in equity instruments are categorized as financial investments available-for-sale in the financial statements. These equity instruments are measured at cost, as they do not have a quoted market price in an active market.

Realised gains arising from sales and liquidations of equities in the reporting period is as follows:

	Dec 2017 RM'000	Dec 2016 RM'000
Realised gain / (loss)	-	132

There are no unrealised gains or losses in the reporting period.

The following table shows an analysis of equity investments by appropriate equity groupings and risk weighted assets as at the period end:

	31 Dec 2017		31 Dec 2016	
	Credit Risk Exposures RM'000	RWA RM'000	Credit Risk Exposures RM'000	RWA RM'000
Privately held				
- For socio-economic purposes	7,015	7,015	7,015	7,015

10. Interest Rate Risk/Rate of Return Risk in the Banking Book (IRR/RORBB)

Interest rate risk in banking book arises from both interest bearing and non-interest bearing assets and liabilities. Interest rate risk is monitored on a daily basis within the approved limits framework set by the Regional Market Risk Management and considers changes of economic value per 1% interest rate increase for each currency as an index for internal control.

Assets and liabilities, which are contractual in nature, are monitored up to the re-pricing tenors. Consumer loans having long term re-pricing exposures are subjected to prepayment assumptions based on historical studies on customer early payout behavior. Non-interest bearing and perpetual products, e.g. current/saving accounts, credit cards, ready credit, are monitored for interest rate risk on core balances. The core balances are computed based on statistical regression analysis.

Potential interest rate risk in banking book is monitored through interest rate exposure from movement in interest rates. An increase in interest rate exposure at each major currency level for the banking book is as tabled below. A decrease in interest rate across these currencies with all other variables held constant would have an equal but opposite effect.

	Impact on Positions as at 31 Dec 2017		
Currency	Movement in Bps	Increase/ (Decline) in Earnings RM'000	Increase/ (Decline) in Economic Value RM'000
MYR	+89	(62,463)	(62,463)
SGD	+115	(1)	(1)
USD	+66	(7,030)	(7,030)
GBP	+51	8	8
JPY	+28	(13)	(13)
AUD	+87	(19)	(19)
EUR	+44	(14)	(14)

	Impact on Positions as at 31 Dec 2016		
Currency	Movement in Bps	Increase/ (Decline) in Earnings RM'000	Increase/ (Decline) in Economic Value RM'000
MYR	+95	(49,615)	(49,615)
SGD	+110	(2)	(2)
USD	+66	(9,098)	(9,098)
GBP	+51	4	4
JPY	+28	(24)	(24)
AUD	+83	(28)	(28)
EUR	+44	(7)	(7)

11. Profit Sharing Investment Accounts and Shariah Governance

11.1 Profit Sharing Investment Accounts

This disclosure is not applicable as Citibank Berhad's Islamic Banking Window does not have any Profit Sharing Investment Accounts.

11.2 Shariah Governance

Shariah Governance

The Bank's Shariah Committee is responsible for the provision of Shariah oversight in relation to The Bank's Islamic Banking business operations. The duties and responsibilities of the Shariah Committee are governed by the Shariah Governance Framework for Islamic Financial Institution as issued by Bank Negara Malaysia ("BNM"). Additionally, individual Shariah Committee member participates in various business discussions to ensure a Shariah advice is provided prior to submission to the full Shariah Committee. The Bank's Islamic Banking business operations is subjected to a Shariah audit conducted jointly by the Bank's Internal Audit team together with our Global Islamic Control Unit. The Shariah Committee will review the findings of the Shariah audit, if any, and ensure the corrective action plans to be in place to address such concern.

Rectification Process of Shariah Non-Compliance Income Quantitative Disclosure

In the event of any potential Shariah Non-Compliant income triggers, the issue will be presented to the Shariah Committee for deliberation. If the income derived from the event resolved by the Shariah Committee as impure income, the appropriate process would take place for distribution to the charity.

For the year 2017, the total of Shariah Non-Compliance income was RM1,062 and there were no Shariah Non-Compliance events reported during the financial year.

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