

**SUMITOMO MITSUI BANKING CORPORATION
MALAYSIA BERHAD**

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

**UNAUDITED PILLAR 3 DISCLOSURE
31 MARCH 2023**

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

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1. Overview

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 was introduced under the Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 outlines the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks assumed.
- (b) Pillar 2 focuses on strengthening the supervisory review process in developing more rigorous risk management framework and techniques. The purpose is for banking institutions to implement an effective and rigorous internal capital adequacy assessment process that commensurate with the risk profile and business plans of the Bank.
- (c) Pillar 3 sets out the minimum disclosure requirements of information on the risk management practices and capital adequacy of banking institution, aimed to enhance comparability amongst banking institutions.

The approaches adopted by Sumitomo Mitsui Banking Corporation Malaysia Berhad ("the Bank"), are shown in the table below:

Risk type	Approach adopted	Capital requirement assessment
Credit	Standardised Approach	Standard risk weights
Market	Standardised Approach	Standard risk weights
Operational	Basic Indicator Approach	Fixed percentage over average gross income for a fixed number of years

2. Capital Management

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory minimum capital requirements. The Bank's capital management process includes analysis of the risk appetite and the capital requirement for the business growth and periodical monitoring of capital adequacy ratios.

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3. Capital Management Framework

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Board Risk Management Committee ("BRMC"), which is responsible for developing the risk management policies and assessing the implementation of risk management by the management of the Bank. The Bank has also established a Risk Management Committee ("RMC") as one of the management committees to formulate the policies, procedures and risk limits and conduct periodical monitoring on risk exposure, risk portfolio and risk management activities.

3.1. Credit Risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's exposure to credit risk arises principally from loans and advances to customers, placements with other banks, investment in debt securities, derivative financial assets and other receivables.

Credit Risk Management

Integral to the management of credit risk, the Bank has credit policies and procedures in place to identify, measure and manage credit risk. Whilst, the Bank continually monitors the exposure to credit risk on an on going basis and identify emerging risks to formulate appropriate mitigation actions.

The Bank monitors its credit concentration risk from a single counterparty exposure, large exposure or from other portfolio concentrations by setting an exposure limits on customers, customer group, industries, products, asset quality etc.

Credit evaluations are required to be performed on customers requiring credit by the business managers and credit analyst in the first line of defence function with independent risk assessment and approval roles in the second line of defence function which are clearly defined and segregated.

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3.1. Credit Risk (continued)

Credit Risk Governance

The Bank has established Credit Committee as one of the management committees with the following objectives:

- (i) to review, analyse and endorse or approve credit proposal by ensuring approvals are granted within the Bank's risk appetite as well as effective credit limit control and monitoring; and
- (ii) the review and approvals are guided by credit policies and procedures which are reviewed periodically to ensure their continued relevance to the Bank's business strategy and the business environment.

The RMC conducts periodical monitoring on credit exposure trend, asset quality by obligor grading and its credit cost ratio in relation to the probability of default as well as default or impaired loans ratio, portfolio concentration analysis and credit related limits control such as single counterparty exposure limit, large loan limit, exposure to connected parties, product concentration limits and sectorial limits.

As at the end of the reporting period, the maximum exposure to credit risk arising from loans, advances and receivables are represented by the carrying amounts of cash and short-term funds, deposits and placements with banks and other financial institutions, debt instruments measured at FVOCI and loans, advances and financing and other receivables as shown in the statement of financial position.

The Bank has taken reasonable steps to ensure that loans, advances, investments and receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these loans, advances, investments and receivables are regular customers or counterparties that have been transacting with the Bank.

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3.1. Credit Risk (continued)

Distribution of credit exposures

(a) The following table presents the gross credit exposures of financial assets of the Bank analysed by economic sector:

31 March 2023	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on- balance sheet exposures RM'000	Total off- balance sheet exposures RM'000	Total exposures RM'000
Agriculture	-	-	-	10,005	-	-	-	-	10,005	321,052	331,057
Mining and quarrying	-	-	-	980,532	-	-	-	-	980,532	386,834	1,367,366
Manufacturing	-	-	-	2,627,610	-	29,569	-	-	2,657,179	7,080,963	9,738,142
Electricity, gas and water	-	-	-	556,402	-	-	-	-	556,402	900,066	1,456,468
Construction	-	-	-	92,923	-	1,043	-	-	93,966	668,529	762,495
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,237,449	-	4,039	-	-	1,241,488	2,597,240	3,838,728
Finance, insurance and business services	5,911,756	1,968,874	703,693	5,456,074	45,000	543,462	7,795	44,434	14,681,088	20,184,722	34,865,810
Transport, storage and communication	-	-	-	1,770,388	-	7,714	-	-	1,778,102	336,780	2,114,882
Real estate	-	-	-	1,943,060	-	1,030	-	-	1,944,090	544,952	2,489,042
Education, health and others	-	-	-	605,484	-	92	-	-	605,576	136,088	741,664
	<u>5,911,756</u>	<u>1,968,874</u>	<u>703,693</u>	<u>15,279,927</u>	<u>45,000</u>	<u>586,949</u>	<u>7,795</u>	<u>44,434</u>	<u>24,548,428</u>	<u>33,157,226</u>	<u>57,705,654</u>
Allowance for ECL	(2,515)	(1,521)	-	(110,437)	-	-	-	(13)	(114,486)	-	(114,486)
Other assets not subject to credit risk	-	-	-	-	-	-	-	144,451	144,451	-	144,451
	<u>5,909,241</u>	<u>1,967,353</u>	<u>703,693</u>	<u>15,169,490</u>	<u>45,000</u>	<u>586,949</u>	<u>7,795</u>	<u>188,872</u>	<u>24,578,393</u>	<u>33,157,226</u>	<u>57,735,619</u>

* Exclude allowance for expected credit losses ("ECL")

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

	Cash and short-term funds*	Deposits and placements with banks and other financial institutions*	Financial investments FVOCI	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on- balance sheet exposures	Total off- balance sheet exposures	Total exposures
31 March 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	41,561	-	-	-	-	41,561	277,549	319,110
Mining and quarrying **	-	-	-	971,850	-	-	-	-	971,850	200,000	1,171,850
Manufacturing	-	-	-	2,742,970	-	10,164	-	-	2,753,134	5,920,845	8,673,979
Electricity, gas and water **	-	-	-	100,410	-	-	-	-	100,410	687,403	787,813
Construction	-	-	-	65,809	-	108	-	-	65,917	781,359	847,276
Wholesale and retail trade, and restaurants and hotel **	-	-	-	1,184,210	-	1,994	-	-	1,186,204	2,448,959	3,635,163
Finance, insurance and business services	4,721,029	546,560	485,992	5,203,359	-	371,102	12,102	116,469	11,456,613	19,153,485	30,610,098
Transport, storage and communication **	-	-	-	953,589	-	4,839	-	-	958,428	548,415	1,506,843
Real estate **	-	-	-	2,552,172	-	8,285	-	-	2,560,457	755,370	3,315,827
Education, health and others **	-	-	-	710,871	-	-	-	-	710,871	110,135	821,006
	<u>4,721,029</u>	<u>546,560</u>	<u>485,992</u>	<u>14,526,801</u>	<u>-</u>	<u>396,492</u>	<u>12,102</u>	<u>116,469</u>	<u>20,805,445</u>	<u>30,883,520</u>	<u>51,688,965</u>
Allowance for ECL	(905)	(325)	-	(89,903)	-	-	-	(28)	(91,161)	-	(91,161)
Other assets not subject to credit risk	-	-	-	-	-	-	-	130,786	130,786	-	130,786
	<u>4,720,124</u>	<u>546,235</u>	<u>485,992</u>	<u>14,436,898</u>	<u>-</u>	<u>396,492</u>	<u>12,102</u>	<u>247,227</u>	<u>20,845,070</u>	<u>30,883,520</u>	<u>51,728,590</u>

* Exclude allowance for ECL

** There were reclassifications of "Other sectors" to relevant sectors during the year to better reflect the Loans, advances and financing by sector.

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

(b) The following table presents the gross credit exposures of financial assets of the Bank analysed by geographical location based on where the credit risk resides:

	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on-balance sheet exposures RM'000	Total off-balance sheet exposures RM'000	Total exposures RM'000
31 March 2023											
Malaysia	5,833,466	1,968,874	703,693	13,841,777	45,000	583,515	7,795	44,434	23,028,554	31,476,055	54,504,609
Other countries	78,290	-	-	1,438,150	-	3,434	-	-	1,519,874	1,681,171	3,201,045
	<u>5,911,756</u>	<u>1,968,874</u>	<u>703,693</u>	<u>15,279,927</u>	<u>45,000</u>	<u>586,949</u>	<u>7,795</u>	<u>44,434</u>	<u>24,548,428</u>	<u>33,157,226</u>	<u>57,705,654</u>
31 March 2022											
Malaysia	4,348,061	546,560	485,992	12,116,294	-	388,296	12,102	116,469	18,013,774	29,220,556	47,234,330
Other countries	372,968	-	-	2,410,507	-	8,196	-	-	2,791,671	1,662,964	4,454,635
	<u>4,721,029</u>	<u>546,560</u>	<u>485,992</u>	<u>14,526,801</u>	<u>-</u>	<u>396,492</u>	<u>12,102</u>	<u>116,469</u>	<u>20,805,445</u>	<u>30,883,520</u>	<u>51,688,965</u>

* Exclude allowance for ECL

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

(c) The following table presents the residual contractual maturity breakdown by major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 97.53% of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

	Deposits and placements with banks		Financial investments	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on-balance sheet exposures
	Cash and short-term funds* RM'000	and other financial institutions* RM'000	FVOCI RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2023									
Up to 1 month	5,911,756	-	-	6,862,357	45,000	10,113	-	42,406	12,871,632
> 1-3 months	-	1,534,740	-	7,181,570	-	16,706	-	-	8,733,016
> 3-12 months	-	434,134	703,693	1,132,005	-	64,359	-	2,028	2,336,219
> 1-5 years	-	-	-	103,995	-	478,627	7,795	-	590,417
> 5 years	-	-	-	-	-	17,144	-	-	17,144
	5,911,756	1,968,874	703,693	15,279,927	45,000	586,949	7,795	44,434	24,548,428

* Exclude allowance for ECL

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Bank expects many of these commitments (such as undrawn credit facilities) to expire or unconditionally cancelled by the Bank without them being called or drawn upon.

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

	Deposits and placements with banks		Financial investments	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on-balance sheet exposures
	Cash and short-term funds*	and other financial institutions*	FVOCI	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	RM'000
31 March 2022									
Up to 1 month	4,721,029	-	-	2,029,398	-	3,801	-	114,235	6,868,463
> 1-3 months	-	546,560	-	1,681,361	-	12,345	-	-	2,240,266
> 3-12 months	-	-	485,992	1,801,288	-	41,782	-	2,233	2,331,295
> 1-5 years	-	-	-	6,946,568	-	289,827	12,102	-	7,248,497
> 5 years	-	-	-	2,068,186	-	48,737	-	-	2,116,923
	4,721,029	546,560	485,992	14,526,801	-	396,492	12,102	116,468	20,805,444

* Exclude allowance for ECL

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Bank expects many of these commitments (such as undrawn credit facilities) to expire or unconditionally cancelled by the Bank without them being called or drawn upon.

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3.1. Credit Risk (continued)

Credit quality of gross loans, advances and financing

The Bank's ECL model takes account of the on and off-balance sheet credit exposures to sovereign, financial institutions and corporates. The credit exposures are categorised into three stages, defined as follows:

Stage 1: Ordinary / Performing Credit Exposure (12-month ECL)

Stage 2: Exposure with Significant Increase in Credit Risk (Lifetime ECL)

Stage 3: Impaired Credit Exposure (Lifetime ECL)

The general and impairment provision of the credit exposures are equivalent to 12-month ECL or Lifetime ECL, depending on the stage of credit exposures applicable to each financial asset.

All gross loans, advances and financing are neither past due nor impaired as at the following reporting dates:

	2023	2022
	RM'000	RM'000
At amortised cost:		
Overdraft	2,063	568
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	3,477,449	3,157,832
- Factoring receivables	199,087	195,573
- Other term loans / Islamic term financing	6,516,237	7,016,907
Trade bills discounted	14,984	28,701
Revolving credits / Revolving credit-i	5,070,107	4,127,220
Gross loans, advances and financing	<u>15,279,927</u>	<u>14,526,801</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(6,309)	(4,706)
- Lifetime ECL not credit impaired (Stage 2)	(53,063)	(29,979)
- Lifetime ECL credit impaired (Stage 3)	(51,065)	(55,218)
Net loans, advances and financing	<u><u>15,169,490</u></u>	<u><u>14,436,898</u></u>

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3.1. Credit Risk (continued)

Credit quality of gross loans, advances and financing (continued)

(a) The following table presents the ECL allowance for impairment on loans, advances and financing of the Bank analysed by economic sector:

	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade, and restaurants and hotel* RM'000	Finance, insurance and business services RM'000	Transport, storage and communication RM'000	Real estate* RM'000	Education, health and other services* RM'000	Other sectors* RM'000	Total RM'000
31 March 2023												
Loans, advances and financing	72	7,087	18,991	4,021	672	8,395	5,607	12,796	47,871	4,925	-	110,437
	72	7,087	18,991	4,021	672	8,395	5,607	12,796	47,871	4,925	-	110,437
31 March 2022												
Loans, advances and financing	29	2,288	7,609	-	36	63,060	5,465	581	4,860	5,975	-	89,903
	29	2,288	7,609	-	36	63,060	5,465	581	4,860	5,975	-	89,903

* There were reclassifications of "Other sectors" to relevant sectors during the year to better reflect the Loans, advances and financing by sector.

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3.1. Credit Risk (continued)

Credit quality of gross loans, advances and financing (continued)

(c) Movements in impairment allowances on loans, advances and financing which reflects ECL model on impairment as follows:

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2022	4,706	29,979	55,218	89,903
Transfer to 12-month ECL (Stage 1)	16,450	(16,450)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,553)	1,553	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(1,881)	(4,384)	(6,810)	(13,075)
New loans, advances and financing originated or purchased	1,897	2,941	2,305	7,143
Changes due to change in credit risk	(13,310)	39,424	352	26,466
At 31 March 2023	6,309	53,063	51,065	110,437
At 1 April 2021	10,453	59,634	10,384	80,471
Transfer to 12-month ECL (Stage 1)	35,181	(35,181)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(4,752)	4,752	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(5,117)	(9,195)	-	(14,312)
New loans, advances and financing originated or purchased	2,454	3,656	-	6,110
Changes due to change in credit risk	(33,513)	6,313	44,834	17,634
At 31 March 2022	4,706	29,979	55,218	89,903

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach

The Bank refers to the credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the External Credit Assessment Institutions ("ECAI") ratings used by the Bank and are recognised by BNM in the RWCAF:

- (a) Standard & Poor's Rating Services ("S & P")
- (b) Moody's Investors Service ("Moody's")
- (c) Fitch Ratings ("Fitch")
- (d) RAM Rating Services Berhad ("RAM")
- (e) Malaysian Rating Corporation Berhad ("MARC")
- (f) Rating and Investment Information, Inc. ("R&I")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and Central Bank
- (b) Banking Institutions
- (c) Corporates

Rated and Unrated Counterparties

In general, the issue rating i.e. the rating specific to the credit exposure is used. When there is no specific rating available, the credit rating assigned to the issuer or counterparty of the particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated.

Where a counterparty or an exposure is rated by more than one ECAI, all available external ratings of the counterparty will be captured and the following rules will be observed:

- Where 2 recognised external ratings are available, the lower rating is to be applied; or
- Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for the capital adequacy calculation purposes.

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

A. The following is a summary of the rules governing the assignment of risk weights and rating categories under the Standardised Approach:

Sovereigns and Central Banks

Rating category	S & P	Moody's	Fitch	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	0%
2	A+ to A-	A1 to A3	A+ to A-	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	50%
4	BB+ to B-	Ba1 to B3	BB+ to B-	100%
5	CCC+ to D	Caa1 to C	CCC+ to D	150%
Unrated				100%

Banking Institutions

Rating category	S & P	Moody's	Fitch	RAM	MARC	R&I	Risk Weight	Risk weight (original maturity of <=6 months)	Risk weight (original maturity of <=3 months)
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-	20%	20%	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	A+ to A-	50%	20%	
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-	BBB+ to BBB-	50%	20%	
4	BB+ to B-	Ba1 to B3	BB+ to B-	BB1 to B3	BB+ to B-	BB+ to B-	100%	50%	
5	CCC+ to D	Caa1 to C	CCC+ to D	C1 to D	C+ to D	CCC+ to C	150%	150%	
Unrated							50%	20%	

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

A. The following is a summary of the rules governing the assignment of risk weights and rating categories under the Standardised Approach (continued):

Corporate

Rating category	S & P	Moody's	Fitch	RAM	MARC	R&I	Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-	20%
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-	A+ to A-	50%
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	BBB+ to BB-	100%
4	B+ to D	B1 to C	B+ to D	B1 to D	B+ to D	B+ to D	150%
Unrated							100%

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

B. The following table presents the breakdown of credit exposures by risk weights of the Bank:

	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions and MDBs	Corporates	Other Assets	Total Exposure after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
31 March 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights							
0%	4,134,090	-	-	7,623,871	-	11,757,961	-
20%	-	-	4,530,819	955,212	-	5,486,031	1,097,206
50%	-	-	1,044,863	51,426	-	1,096,289	548,145
100%	-	16,478	-	12,581,391	601,062	13,198,931	13,198,931
150%	-	-	-	-	-	-	-
Total	4,134,090	16,478	5,575,682	21,211,900	601,062	31,539,212	14,844,282
Risk-weighted assets by exposure	-	16,478	1,428,595	12,798,147	601,062	14,844,282	
Average risk weight	0.0%	100.0%	25.6%	60.3%	100.0%	47.1%	
Deduction from capital base	-	-	-	-	-	-	

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

B. The following table presents the breakdown of credit exposures by risk weights of the Bank (continued):

	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions and MDBs	Corporates	Other Assets	Total Exposure after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
31 March 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights							
0%	2,983,093	-	-	7,494,792	-	10,477,885	-
20%	-	-	2,924,633	380,791	-	3,305,424	661,085
50%	-	-	807,939	157,896	-	965,835	482,917
100%	-	10,029	-	11,923,181	422,460	12,355,670	12,355,670
150%	-	-	-	-	-	-	-
Total	2,983,093	10,029	3,732,572	19,956,660	422,460	27,104,814	13,499,672
Risk-weighted assets by exposure	-	10,029	988,896	12,078,287	422,460	13,499,672	
Average risk weight	0.0%	100.0%	26.5%	60.5%	100.0%	49.8%	
Deduction from capital base	-	-	-	-	-	-	

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

C. The following table presents the on and off balance sheet credit exposures, categorised according to the credit quality rating:

	Rating Categories					
	1 ^	2	3	4	5	Unrated *
31 March 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	4,134,090	-	-	-	-	-
Public Sector Entities	-	-	-	-	-	16,478
Banks, Development Financial Institutions and MDBs	-	4,530,819	1,044,863	-	-	-
Corporates	8,579,083	51,426	-	-	-	12,581,391
Other assets	-	-	-	-	-	601,062

	Rating Categories					
	1	2	3	4	5	Unrated #
31 March 2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	2,983,093	-	-	-	-	-
Public Sector Entities	-	-	-	-	-	10,029
Banks, Development Financial Institutions and MDBs	-	2,924,633	807,939	-	-	-
Corporates	7,875,583	157,896	-	-	-	11,923,181
Other assets	-	-	-	-	-	422,460

^ Total cash collateral of RM7,623,871 thousand was rated at 0% risk under corporates.

* Total cash of other assets at nil was rated at 0% risk. The remaining balance was classified under 100% risk.

Total cash of other assets at nil was rated at 0% risk. The remaining balance was classified under 100% risk.

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3.1. Credit Risk (continued)

General Disclosure for Off-Balance Sheet Exposure and Counterparty Credit Risk

The following table presents the Bank's off-balance sheet exposure and counterparty credit risk:

31 March 2023 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Negative fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Transaction related contingent item	460,598			225,575	225,575
Short-term self-liquidating trade related contingencies	478,413			93,806	93,806
Foreign exchange related contracts:					
- Less than one year	8,285,597	90,066	104,487	241,617	167,461
- One year to less than five years	10,475,132	439,034	355,806	1,468,865	876,433
- Five years and above	573,115	10,703	8,808	108,756	82,840
Interest/Profit rate related contracts					
- Less than one year	1,065,117	1,112	137	3,211	2,513
- One year to less than five years	1,445,977	39,593	35,476	80,854	50,085
- Five years and above	218,978	6,441	4,235	41,477	29,498
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	995,271			198,909	173,196
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	9,159,028			4,578,779	4,406,016
Total	33,157,226	586,949	508,949	7,041,849	6,107,423

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3.1. Credit Risk (continued)

General Disclosure for Off-Balance Sheet Exposure and Counterparty Credit Risk (continued)

The following table presents the Bank's off-balance sheet exposure and counterparty credit risk (continued):

31 March 2022 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Negative fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Transaction related contingent item	551,387			272,465	266,724
Short-term self-liquidating trade related contingencies	394,632			78,207	78,207
Foreign exchange related contracts:					
- Less than one year	8,613,483	57,493	65,099	212,009	128,279
- One year to less than five years	8,570,737	272,158	226,885	1,138,878	664,667
- Five years and above	1,053,957	33,422	18,047	204,990	151,806
Interest/Profit rate related contracts					
- Less than one year	119,594	434	384	566	528
- One year to less than five years	1,963,595	17,670	22,141	58,809	41,193
- Five years and above	613,617	15,315	12,312	73,264	51,120
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	611,283			122,222	122,222
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	8,391,235			4,193,177	4,021,831
Total	30,883,520	396,492	344,868	6,354,587	5,526,577

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3.1. Credit Risk (continued)

Credit Risk Mitigation

When extending credit, the Bank shall make reasonable credit judgment after confirming the credit standing and repayment/payment ability of the borrower/customer and does not grant credit facilities solely on the basis of the collateral provided. Credit facilities may be provided on an unsecured basis or with some credit supports depending on few common factors such as the strength of customer's credit standing, product type and/or the total counterparty exposures. Credit risk mitigation nevertheless is an important aspect of effective risk management in the Bank.

Collaterals taken by the Bank generally are cash, properties and corporate guarantees. At present, the Bank does not make use of credit derivative instruments and on and off-balance sheet netting in the bank's credit risk mitigation process. The netting arrangement will be considered on an as-and-when basis to minimise the Bank's risk exposures. Exposures arising from forex and derivatives are typically mitigated through agreements such as the International Swaps and Derivatives Association (ISDA) Master Agreements and the Credit Support Annex (CSA). Such agreements help to minimise credit exposure by allowing the Bank to offset what it owes to a counterparty against what is due from that counterparty in the event of default. The Bank has procedures to ensure that appropriate information is available to support the collateral process and to highlight counterparties that have not met their requirement for additional collateral to satisfy specified initial margin amount and variation margin threshold.

For calculating and assessing Net Credit Risk-Weighted Assets (RWA), the Bank takes into account eligible collaterals pledged with the Bank, that are primarily cash deposits. Collateral haircuts are applied when there is a currency mismatch between customer exposure and collaterals.

For collateral valuation and management, the Bank is guided by its credit policy and procedures. The collaterals legal enforceability are reviewed on yearly basis or as and when there are any changes to the relevant regulations.

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3.1. Credit Risk (continued)

Credit Risk Mitigation (continued)

The following tables disclose the total exposure before the effect of Credit Risk Mitigation ("CRM") and the exposures covered by guarantees, credit derivatives and eligible financial collateral:

31 March 2023 Group and Bank Exposure Class	Exposures before CRM RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000	Exposures covered by Other Eligible Collateral RM'000
Credit Risk					
<u>On-Balance Sheet Exposures</u>					
Sovereigns / Central Banks	4,134,090	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	4,606,845	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	15,155,366	-	-	7,623,870	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	601,062	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	-	-	-	-	-
Total On-Balance Sheet Exposures	24,497,363	-	-	7,623,870	-
<u>Off-Balance Sheet Exposures</u>					
OTC Derivatives	1,944,780	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	5,097,069	-	-	-	-
Defaulted exposures	-	-	-	-	-
Total Off-Balance Sheet Exposures	7,041,849	-	-	-	-
Total On and Off-Balance Sheet Exposures	31,539,212	-	-	7,623,870	-

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3.1. Credit Risk (continued)

Credit Risk Mitigation (continued)

The following tables disclose the total exposure before the effect of Credit Risk Mitigation ("CRM") and the exposures covered by guarantees, credit derivatives and eligible financial collateral (continued):

31 March 2022 Group and Bank	Exposures before CRM RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000	Exposures covered by Other Eligible Collateral RM'000
Exposure Class					
Credit Risk					
<u>On-Balance Sheet Exposures</u>					
Sovereigns / Central Banks	2,983,093	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,873,032	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	14,471,290	-	-	7,494,792	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	422,460	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	352	-	-	-	-
Total On-Balance Sheet Exposures	20,750,227	-	-	7,494,792	-
<u>Off-Balance Sheet Exposures</u>					
OTC Derivatives	1,688,516	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	4,666,071	-	-	-	-
Defaulted exposures	-	-	-	-	-
Total Off-Balance Sheet Exposures	6,354,587	-	-	-	-
Total On and Off-Balance Sheet Exposures	27,104,814	-	-	7,494,792	-

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3.1. Credit Risk (continued)

Counterparty Credit Risk (CCR)

The CCR on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, options or credit derivative contract defaults prior to maturity date of the contract and the Bank has a claim on the counterparty at a relevant time. The Bank's financial loss is not the entire contracted principal value of the derivatives, but the Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

The CCR is managed via the establishment of counterparty limits and also managed as part of the overall lending limits to banks and customers based on BNM's Single Counterparty Exposure Limit ("SCEL"). As the counterparty credit risk exposure fluctuates with market variables, counterparty credit risk is measured as the sum of mark-to-market (MTM) plus appropriate add-on factor for Potential Exposure (PE). The PE factor is an estimate of the maximum credit exposure over the remaining life of the foreign exchange (FX)/ derivative transactions and is used for limit setting estimation and internal risk management.

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3.2. Liquidity Risk

Liquidity risk is the risk when the Bank fails to raise funds to meet the present or future demand of customers or counterparties at a reasonable cost. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawal, overdue payment of the debtors, mismatched asset-liability maturity structure and difficulties in realisation of assets.

The primary tool used for monitoring liquidity is the Bank Negara Malaysia's Liquidity Coverage Ratio ("LCR"). The LCR measured the adequacy of high quality liquid assets to withstand acute liquidity stress scenario over 30-day horizon. It is further supplemented with the internal liquidity risk management policies set by the Board of Directors and incorporated in the Market / Liquidity Risk Management policies and procedures. These policies ensure that the liquidity surpluses are within the limit. The Assets and Liabilities Management Committee ("ALCO") is responsible for the liquidity risk management. The liquidity risk management activities are carried out through active management of maturity profiles of assets and liabilities, diversification of the funding base and proactive management of the Bank's customer deposits.

3.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Bank's financial position or cash flows due to the revaluation of financial instruments categorised as trading items. The objective of market risk management is to manage and control market risk exposures within the predetermined limits which are in line with the risk appetite of the Bank.

The BRMC approves the Bank's market risk appetite taking account of market volatility, the range of traded products and assets classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable since 2011 and to date.

The BRMC is responsible for the limit setting at a business level. The BRMC is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Bank.

All permanent limits are approved by the Board / BRMC prior to implementation. Exceptions are escalated to the Board / BRMC.

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3.3. Market Risk (continued)

Interest rate risk management

Interest rate risk in market risk management refers to the changes in the present values of fixed income securities in the trading book and derivative instrument such as interest rate swap, currency swap and forward exchange rate contracts, as a result of changes in the levels of market interest rates. Bank's ALCO regularly reviews the interest rate outlook, assessed the vulnerability of present values of the trading book items and develops strategies to mitigate interest rate risk.

Foreign exchange risk management

Foreign exchange risk arises from exchange rate movements, which affects the profit of the Bank from its foreign exchange open positions taken from time to time. This risk is principally managed by setting predetermined limits on open foreign exchange positions against these limits and the setting and monitoring of cut-loss mechanisms. To mitigate this risk the Bank's foreign exchange positions with customers are normally hedged with counter deals in the market and the Bank does not keep any large open currency positions. The Bank enters into foreign exchange related derivatives, namely spot and forward contracts, as part of its strategies to manage foreign exchange risk.

	Long position RM'000	Short position RM'000	Risk- weighted assets RM'000	Minimum capital requirements at 8% RM'000
31 March 2023				
Interest rate risk	20,561,020	20,474,099	304,649	24,372
Foreign exchange risk	15,062	(115)	15,062	1,205
	<u>20,576,082</u>	<u>20,473,984</u>	<u>319,711</u>	<u>25,577</u>
31 March 2022				
Interest rate risk	18,969,502	18,866,176	366,716	29,337
Foreign exchange risk	13,087	(215)	13,087	1,047
	<u>18,982,589</u>	<u>18,865,961</u>	<u>379,803</u>	<u>30,384</u>

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3.3.1 Interest Rate Risk in Banking Book

Interest rate risk is defined as the potential impact on the Bank's earnings (i.e. the net interest income) and the net assets value resulting from a change in interest rates.

Interest rate risk in banking book is managed through the Bank's ALCO, which meets on a monthly basis. The committee is responsible to study the sensitivity of the net interest income against the change in interest rates and subsequently, to determine the Bank's policy on balance sheet management. The committee also monitors the impact of the change in interest rates on the net assets value.

The primary tool used for monitoring the interest rate risk impact on the earnings is the re-pricing gap analysis. In this analysis, the re-price dates of rate sensitive assets are compared against the re-price dates of rate sensitive liabilities. A positive gap position indicates that more assets are available to be re-priced than liabilities; hence, an increase in the interest rates will positively impact the Bank's net interest income.

In addition to monitoring the assets and liabilities gap, the Bank also uses interest rate derivatives (i.e. interest rate swaps) to mitigate the interest rate risk impact on the earnings.

The primary tool used to monitor the interest rate risk impact on the net assets value is the basis point value ("BPV") analysis and economic value of equity ("EVE") analysis. The Bank's BPV positions are monitored on daily basis against the approved BPV limits as set by the Head Office based on recommendation by ALCO, whereas, the EVE is monitored and reported to ALCO on a monthly basis.

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3.3.1 Interest Rate Risk in Banking Book (continued)

The table below details the disclosure for interest rate risk in the banking book, the increase or decline in earnings and equity for upward and downward rate shocks which are consistent with shocks applied in simulation for measuring interest rate risk, broken down by various currencies, where relevant. Simulation is measured based on the banking book positions as at reporting date and does not take into account loans / financing and deposit owing to prepayments/ premature withdrawals.

Type of Currency	Impact on positions as at reporting period (200 basis points) Hike		Impact on positions as at reporting period (200 basis points) Hike	
	Increase/ (Decrease) in profit before taxation	Increase/ (Decrease) in equity	Increase/ (Decrease) in profit before taxation	Increase/ (Decrease) equity
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
	RM'000	RM'000	RM'000	RM'000
JPY	988	751	2,661	2,022
USD	16,160	12,282	(5,712)	(4,341)
MYR	(7,415)	(5,635)	15,769	11,984

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4. Capital Adequacy

(a) The capital adequacy ratios of the Bank are as follows:

	31 March 2023	31 March 2022
Core capital ratio	23.563%	24.306%
Risk-weighted capital ratio	24.731%	25.464%

The capital adequacy ratios consist of capital base and risk-weighted assets derived from balances of the Bank. Beginning 1 January 2016, the minimum regulatory capital adequacy requirement has been increased to include capital requirement for capital conservation buffer and countercyclical capital buffer. As at 31 March 2023, the minimum regulatory capital adequacy and capital buffer requirement is 10.50% (March 2022: 10.50%) for the risk-weighted capital ratio.

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4. Capital Adequacy (continued)

(b) The breakdown of risk-weighted assets by exposures in each major risk category are as follows:

31 March 2023 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	4,134,090	4,134,090	-	-
Banks, Development Financial Institutions and MDBs	4,606,845	4,606,845	962,868	77,029
Corporates	15,155,366	15,155,366	7,172,929	573,834
Other assets	601,062	601,062	601,062	48,085
Total on-balance sheet exposures	<u>24,497,363</u>	<u>24,497,363</u>	<u>8,736,859</u>	<u>698,948</u>
<u>Off-balance sheet exposures:</u>				
Credit-related exposures	7,041,849	7,041,849	6,107,423	488,595
Total off-balance sheet exposures	<u>7,041,849</u>	<u>7,041,849</u>	<u>6,107,423</u>	<u>488,595</u>
Total on and off-balance sheet exposures	<u>31,539,212</u>	<u>31,539,212</u>	<u>14,844,282</u>	<u>1,187,543</u>
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	20,561,020	20,474,099	86,921	304,649
Foreign exchange risk	15,062	(115)	15,177	15,062
	<u>20,576,082</u>	<u>20,473,984</u>	<u>102,098</u>	<u>319,711</u>
(iv) Operational risk			<u>716,237</u>	<u>57,299</u>
Total risk-weighted assets and capital requirements			<u>15,880,230</u>	<u>1,270,419</u>

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4. Capital Adequacy (continued)

31 March 2022 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	2,983,093	2,983,093	-	-
Banks, Development Financial Institutions and MDBs	2,873,032	2,873,032	574,606	45,968
Corporates	14,471,642	14,471,642	6,976,029	558,083
Other assets	422,460	422,460	422,460	33,797
Total on-balance sheet exposures	<u>20,750,227</u>	<u>20,750,227</u>	<u>7,973,095</u>	<u>637,848</u>
<u>Off-balance sheet exposures:</u>				
Credit-related exposure	6,354,587	6,354,587	5,526,577	442,126
Total off-balance sheet exposures	<u>6,354,587</u>	<u>6,354,587</u>	<u>5,526,577</u>	<u>442,126</u>
Total on and off-balance sheet exposures	<u>27,104,814</u>	<u>27,104,814</u>	<u>13,499,672</u>	<u>1,079,974</u>
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	18,969,502	18,866,176	103,326	366,716
Foreign exchange risk	13,087	(215)	13,302	13,087
	<u>18,982,589</u>	<u>18,865,961</u>	<u>116,628</u>	<u>379,803</u>
(iv) Operational risk			<u>686,993</u>	<u>54,959</u>
Total risk-weighted assets and capital requirements			<u>14,566,468</u>	<u>1,165,317</u>

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]
(Incorporated in Malaysia)

UNAUDITED PILLAR 3 DISCLOSURE 31 MARCH 2023

5. Capital Structure

The components of Tier 1 and Tier 2 capital of the Bank are as follows:

	31 March 2023 RM'000	31 March 2022 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	1,288,107	1,086,968
Other reserves	145,967	145,695
	<u>3,886,679</u>	<u>3,685,268</u>
Less: Deferred tax assets	-	-
55% of fair value reserve	(1,318)	(1,169)
Regulatory reserve	(143,570)	(143,570)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<u>3,741,791</u>	<u>3,540,529</u>
<u>Tier 2 capital</u>		
Expected credit losses (Stage 1 and Stage 2)	71,596	42,592
Regulatory reserve *	113,958	126,154
Total Tier 2 capital	<u>185,554</u>	<u>168,746</u>
Total capital base	<u>3,927,345</u>	<u>3,709,275</u>

* Collective ECL on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

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CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Sumitomo Mitsui Banking Corporation Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 March 2023 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

[Signed]

Hiroshi Okawa
Chief Executive Officer

Date: 30 June 2023