

**SUMITOMO MITSUI BANKING CORPORATION  
MALAYSIA BERHAD**

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

**UNAUDITED PILLAR 3 DISCLOSURE  
31 MARCH 2020**

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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

## UNAUDITED PILLAR 3 DISCLOSURE 31 MARCH 2020

### 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:

<b>Risk type</b>	<b>Approach adopted</b>	<b>Capital requirement assessment</b>
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

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### **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.

### **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.

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### 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 and investment in debt securities.

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

- (i) to discuss, formulate, review and implement the credit policies, procedures and manuals; and
- (ii) to review, analyse and approve credit proposals by ensuring effective credit limit control and monitoring.

The Bank has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are required to be performed on customers requiring credit.

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.

The RMC conducts periodical monitoring on credit exposure trend, asset quality by obligor grading / impaired loans, portfolio concentration analysis and credit related limits control such as single counterparty exposure limit, large loan limit, exposure to connected parties, exposure to broad property sector and exposure for margin financing.

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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:

	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 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	50,006	-	-	-	-	50,006	745,492	795,498
Mining and quarrying	-	-	-	213,421	-	-	-	-	213,421	180,000	393,421
Manufacturing	-	-	-	3,111,093	-	61,840	-	-	3,172,933	5,587,970	8,760,903
Electricity	-	-	-	2,189,634	-	952	-	-	2,190,586	318,635	2,509,221
Construction	-	-	-	194,176	-	64	-	-	194,240	900,580	1,094,820
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,656,354	-	12,053	-	-	1,668,407	2,061,695	3,730,102
Finance, insurance and business services	4,246,465	870,000	596,080	5,278,551	51,463	528,362	12,961	66,992	11,650,874	23,209,292	34,860,166
Transport, storage and communication	-	-	-	388,362	-	79	-	-	388,441	43,313	431,754
Real estate	-	-	-	1,406,126	-	17,458	-	-	1,423,584	535,458	1,959,042
Education, health and other services	-	-	-	682,202	-	-	-	-	682,202	77,102	759,304
Other sectors	-	-	-	223,909	-	-	-	-	223,909	41,988	265,897
	<u>4,246,465</u>	<u>870,000</u>	<u>596,080</u>	<u>15,393,834</u>	<u>51,463</u>	<u>620,808</u>	<u>12,961</u>	<u>66,992</u>	<u>21,858,603</u>	<u>33,701,525</u>	<u>55,560,128</u>
Allowance for ECL	(7,069)	(514)	-	(82,721)	-	-	-	(114)	(90,418)	-	(90,418)
Other assets not subject to credit risk	-	-	-	-	-	-	-	53,440	53,440	-	53,440
	<u>4,239,396</u>	<u>869,486</u>	<u>596,080</u>	<u>15,311,113</u>	<u>51,463</u>	<u>620,808</u>	<u>12,961</u>	<u>120,318</u>	<u>21,821,625</u>	<u>33,701,525</u>	<u>55,523,150</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 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	50,020	-	107	-	-	50,127	709,175	759,302
Mining and quarrying	-	-	-	40,830	-	-	-	-	40,830	-	40,830
Manufacturing	-	-	-	3,346,613	-	7,531	-	-	3,354,144	4,969,463	8,323,607
Electricity	-	-	-	1,023,659	-	-	-	-	1,023,659	326,507	1,350,166
Construction	-	-	-	113,260	-	3,032	-	-	116,292	863,489	979,781
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,319,422	-	5,142	-	-	1,324,564	2,185,785	3,510,349
Finance, insurance and business services	4,378,459	763,179	733,457	4,751,573	50,680	339,227	15,822	72,497	11,104,894	19,719,019	30,823,913
Transport, storage and communication	-	-	-	520,787	-	12	-	-	520,799	33,102	553,901
Real estate	-	-	-	1,042,595	-	-	-	-	1,042,595	397,729	1,440,324
Education, health and other services	-	-	-	390,582	-	-	-	-	390,582	600,735	991,317
Other sectors	-	-	-	454,315	-	-	-	-	454,315	537,230	991,545
	<u>4,378,459</u>	<u>763,179</u>	<u>733,457</u>	<u>13,053,656</u>	<u>50,680</u>	<u>355,051</u>	<u>15,822</u>	<u>72,497</u>	<u>19,422,801</u>	<u>30,342,234</u>	<u>49,765,035</u>
Allowance for ECL	(701)	(555)	-	(33,262)	-	-	-	(18)	(34,536)	-	(34,536)
Other assets not subject to credit risk	-	-	-	-	-	-	-	37,919	37,919	-	37,919
	<u>4,377,758</u>	<u>762,624</u>	<u>733,457</u>	<u>13,020,394</u>	<u>50,680</u>	<u>355,051</u>	<u>15,822</u>	<u>110,398</u>	<u>19,426,184</u>	<u>30,342,234</u>	<u>49,768,418</u>

\* Exclude allowance for ECL

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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
<b>31 March 2020</b>											
Malaysia	4,128,621	870,000	596,080	12,374,229	51,463	581,639	12,961	66,992	18,681,985	29,337,515	48,019,500
Other countries	117,844	-	-	3,019,605	-	39,169	-	-	3,176,618	4,364,010	7,540,628
	<b>4,246,465</b>	<b>870,000</b>	<b>596,080</b>	<b>15,393,834</b>	<b>51,463</b>	<b>620,808</b>	<b>12,961</b>	<b>66,992</b>	<b>21,858,603</b>	<b>33,701,525</b>	<b>55,560,128</b>
<b>31 March 2019</b>											
Malaysia	4,247,439	763,179	733,457	11,089,512	50,680	343,137	15,822	72,497	17,315,723	26,363,318	43,679,041
Other countries	131,020	-	-	1,964,144	-	11,914	-	-	2,107,078	3,978,916	6,085,994
	<b>4,378,459</b>	<b>763,179</b>	<b>733,457</b>	<b>13,053,656</b>	<b>50,680</b>	<b>355,051</b>	<b>15,822</b>	<b>72,497</b>	<b>19,422,801</b>	<b>30,342,234</b>	<b>49,765,035</b>

\* 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 55.32% 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*	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
<b>31 March 2020</b>									
Up to 1 month	4,246,465	-	-	2,728,462	51,463	32,892	-	62,991	7,122,273
> 1-3 months	-	800,000	-	1,745,517	-	59,519	-	-	2,605,036
> 3-12 months	-	70,000	596,080	1,534,688	-	160,870	-	4,001	2,365,639
> 1-5 years	-	-	-	8,148,658	-	201,329	12,961	-	8,362,948
> 5 years	-	-	-	1,236,509	-	166,198	-	-	1,402,707
	<b>4,246,465</b>	<b>870,000</b>	<b>596,080</b>	<b>15,393,834</b>	<b>51,463</b>	<b>620,808</b>	<b>12,961</b>	<b>66,992</b>	<b>21,858,603</b>

\* 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
<b>31 March 2019</b>									
Up to 1 month	4,378,459	-	-	2,272,223	50,680	9,242	-	68,630	6,779,234
> 1-3 months	-	544,821	-	1,472,004	-	36,993	-	-	2,053,818
> 3-12 months	-	218,358	733,457	805,795	-	41,658	-	3,867	1,803,135
> 1-5 years	-	-	-	7,933,385	-	172,169	15,822	-	8,121,376
> 5 years	-	-	-	570,249	-	94,989	-	-	665,238
	<b>4,378,459</b>	<b>763,179</b>	<b>733,457</b>	<b>13,053,656</b>	<b>50,680</b>	<b>355,051</b>	<b>15,822</b>	<b>72,497</b>	<b>19,422,801</b>

\* 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:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Overdraft	57,704	83,658
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	2,497,022	1,260,521
- Factoring receivables	112,804	116,294
- Other term loans / Islamic term financing	7,958,484	7,629,862
Trade bills discounted	396,635	102,236
Revolving credits / Revolving credit-i	4,220,856	3,861,085
Other loan	150,329	-
Gross loans, advances and financing	<u>15,393,834</u>	<u>13,053,656</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(42,425)	(14,026)
- Lifetime ECL not credit impaired (Stage 2)	(40,296)	(19,236)
- Lifetime ECL credit impaired (Stage 3)	-	-
Net loans, advances and financing	<u><u>15,311,113</u></u>	<u><u>13,020,394</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 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
<b>31 March 2020</b>												
Loans, advances and financing	1,178	2,084	27,545	-	625	8,786	14,074	3,763	5,965	6,052	12,649	82,721
	1,178	2,084	27,545	-	625	8,786	14,074	3,763	5,965	6,052	12,649	82,721
<b>31 March 2019</b>												
Loans, advances and financing	210	318	11,957	-	159	2,194	2,625	545	877	1,599	12,778	33,262
	210	318	11,957	-	159	2,194	2,625	545	877	1,599	12,778	33,262

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### 3.1. Credit Risk (continued)

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

(b) The following table presents the ECL allowance for impairment on loans, advances and financing of the Bank analysed by geographical location based on where the credit risk resides:

	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>31 March 2020</b>			
Loans, advances and financing	61,895	20,826	82,721
	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>31 March 2019</b>			
Loans, advances and financing	19,578	13,684	33,262

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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
<b>At 1 April 2019</b>	14,026	19,236	-	33,262
Transfer to 12-month ECL (Stage 1)	17,206	(17,206)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(12,570)	12,570	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	(7)	-	7	-
Loans, advances and financing derecognised	(7,093)	(5,397)	(3,565)	(16,055)
New loans, advances and financing originated or purchased	18,140	4,040	-	22,180
Changes due to change in credit risk	12,723	27,053	3,558	43,334
<b>At 31 March 2020</b>	<b>42,425</b>	<b>40,296</b>	<b>-</b>	<b>82,721</b>
<b>At 1 April 2018</b>	9,412	25,150	-	34,562
Transfer to 12-month ECL (Stage 1)	8,875	(8,875)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,996)	1,996	-	-
Loans, advances and financing derecognised	(2,148)	(2,823)	-	(4,971)
New loans, advances and financing originated or purchased	4,094	5,818	-	9,912
Changes due to change in credit risk	(4,211)	(2,030)	-	(6,241)
<b>At 31 March 2019</b>	<b>14,026</b>	<b>19,236</b>	<b>-</b>	<b>33,262</b>

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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 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights							
0%	2,555,940	-	-	6,989,382	453	9,545,775	-
20%	-	-	3,256,859	780,394	-	4,037,253	807,450
50%	-	-	1,118,846	64,617	-	1,183,463	591,732
100%	-	1,835	-	11,983,285	643,650	12,628,770	12,628,770
Total	2,555,940	1,835	4,375,705	19,817,678	644,103	27,395,261	14,027,952
Risk-weighted assets by exposure	-	1,835	1,210,795	12,171,672	643,650	14,027,952	
Average risk weight	0.0%	100.0%	27.7%	61.4%	99.9%	51.2%	
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 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights							
0%	3,334,923	-	-	5,594,478	290	8,929,691	-
20%	-	-	2,733,383	664,607	-	3,397,990	679,598
50%	-	-	1,170,189	19,991	-	1,190,180	595,090
100%	-	-	-	10,700,112	373,628	11,073,740	11,073,740
Total	3,334,923	-	3,903,572	16,979,188	373,918	24,591,601	12,348,428
Risk-weighted assets by exposure	-	-	1,131,771	10,843,029	373,628	12,348,428	
Average risk weight	0.0%	0.0%	29.0%	63.9%	99.9%	50.2%	
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 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	2,555,940	-	-	-	-	-
Public Sector Entities	-	-	-	-	-	1,835
Banks, Development Financial Institutions and MDBs	-	3,256,859	1,118,846	-	-	-
Corporates	7,769,776	64,617	-	-	-	11,983,285
Other assets	-	-	-	-	-	644,103

	Rating Categories					
	1	2	3	4	5	Unrated #
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	3,334,923	-	-	-	-	-
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	2,733,383	1,170,189	-	-	-
Corporates	6,259,085	19,991	-	-	-	10,700,112
Other assets	-	-	-	-	-	373,918

^ Total cash collateral of RM6,989,382 thousand was rated at 0% risk under corporates.

\* Total cash of other assets at RM453 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

# Total cash of other assets at RM290 thousand 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 2020 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	395,088			194,859	184,770
Short-term self-liquidating trade related contingencies	148,710			29,008	29,008
Foreign exchange related contracts:					
- Less than one year	14,023,563	252,462	210,837	512,164	273,498
- One year to less than five years	8,117,375	175,903	180,219	871,802	569,035
- Five years and above	2,132,258	166,198	126,142	510,364	351,887
Interest/Profit rate related contracts					
- Less than one year	333,715	820	838	1,154	1,048
- One year to less than five years	1,527,572	25,426	42,233	57,704	45,501
- Five years and above	-	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,523,113			3,259,577	3,225,117
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	500,131			100,026	67,718
<b>Total</b>	<b>33,701,525</b>	<b>620,809</b>	<b>560,269</b>	<b>5,536,658</b>	<b>4,747,582</b>

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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 2019 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	604,552			301,201	291,341
Short-term self-liquidating trade related contingencies	269,421			53,543	53,543
Foreign exchange related contracts:					
- Less than one year	11,071,830	85,937	56,274	316,413	139,511
- One year to less than five years	9,039,740	166,062	168,874	981,581	610,310
- Five years and above	920,972	94,989	76,427	258,767	136,257
Interest/Profit rate related contracts					
- Less than one year	63,500	1,566	-	1,646	810
- One year to less than five years	1,627,718	6,491	7,522	46,022	29,102
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,251,089			3,110,944	2,972,118
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	493,412			98,683	98,683
<b>Total</b>	<b>30,342,234</b>	<b>355,045</b>	<b>309,097</b>	<b>5,168,800</b>	<b>4,331,675</b>

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### 3.1. Credit Risk (continued)

#### Credit Risk Mitigation

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 2020 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
<b>Credit Risk</b>					
<b>On-Balance Sheet Exposures</b>					
Sovereigns / Central Banks	2,555,940	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,264,725	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	15,393,835	-	-	6,989,382	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	644,103	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	-	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>21,858,603</b>	<b>-</b>	<b>-</b>	<b>6,989,382</b>	<b>-</b>
<b>Off-Balance Sheet Exposures</b>					
OTC Derivatives	1,953,188	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	3,583,470	-	-	-	-
Defaulted exposures	-	-	-	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>5,536,658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>27,395,261</b>	<b>-</b>	<b>-</b>	<b>6,989,382</b>	<b>-</b>

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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 2019 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
<b>Credit Risk</b>					
<b>On-Balance Sheet Exposures</b>					
Sovereigns / Central Banks	3,334,923	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,926,368	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	12,787,592	-	-	5,594,478	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	373,918	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	-	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>19,422,801</b>	<b>-</b>	<b>-</b>	<b>5,594,478</b>	<b>-</b>
<b>Off-Balance Sheet Exposures</b>					
OTC Derivatives	1,604,429	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	3,564,371	-	-	-	-
Defaulted exposures	-	-	-	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>5,168,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>24,591,601</b>	<b>-</b>	<b>-</b>	<b>5,594,478</b>	<b>-</b>

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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
<b>31 March 2020</b>				
Interest rate risk	24,361,125	24,251,263	357,832	28,627
Foreign exchange risk	12,405	-	12,405	992
	<u>24,373,530</u>	<u>24,251,263</u>	<u>370,237</u>	<u>29,619</u>
<b>31 March 2019</b>				
Interest rate risk	20,259,492	20,205,436	314,734	25,179
Foreign exchange risk	21,326	(39)	21,326	1,706
	<u>20,280,818</u>	<u>20,205,397</u>	<u>336,060</u>	<u>26,885</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 stress test for measuring interest rate risk, broken down by various currencies, where relevant:

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) in equity
	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	RM'000	RM'000	RM'000	RM'000
JPY	(440)	(334)	(158)	(120)
USD	(919)	(698)	(727)	(553)
MYR	(8,505)	(6,464)	(4,194)	(3,187)

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### 3.4. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events. Operational risk is inherent in each of the Bank's business activities. These include breakdowns, error, business interruption and inappropriate behaviour of employees, and can potentially result in financial losses and other damage to the Bank.

Operational risks are managed and controlled within the individual business lines. The ALCO monitors the predetermined items to assess the trend of operational risks.

#### The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach ("BIA") to calculate its value equivalent to operational risk-weighted assets as at 31 March 2020.

The following tables present the minimum disclosure on regulatory capital requirements on operational risk.

		<b>Minimum Capital Requirements at 8%</b>
<b>31 March 2020</b>	<b>Risk-Weighted Assets</b>	<b>RM'000</b>
		<b>RM'000</b>
Operational Risk	636,404	50,912
<b>31 March 2019</b>	<b>Risk-Weighted Assets</b>	<b>Minimum Capital Requirements at 8%</b>
		<b>RM'000</b>
Operational Risk	532,388	42,591

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### 4. Capital Adequacy

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

	<b>31 March 2020</b>	<b>31 March 2019</b>
Core capital ratio	21.199%	22.463%
Risk-weighted capital ratio	22.365%	23.692%

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 2020, the minimum regulatory capital adequacy and capital buffer requirement is 10.50% (March 2019: 10.51%) 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 2020 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>(i) Credit risk</b>				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	2,555,940	2,555,940	-	-
Banks, Development Financial Institutions and MDBs	3,264,725	3,264,725	683,608	54,689
Corporates	15,393,835	15,393,835	7,951,178	636,094
Other assets	644,103	644,103	643,650	51,492
Total on-balance sheet exposures	21,858,603	21,858,603	9,278,436	742,275
<u>Off-balance sheet exposures:</u>				
Credit-related exposures	5,536,658	5,536,658	4,749,516	379,961
Total off-balance sheet exposures	5,536,658	5,536,658	4,749,516	379,961
Total on and off-balance sheet exposures	27,395,261	27,395,261	14,027,952	1,122,236
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market risk</b>				
	<b>Long position RM'000</b>	<b>Short position RM'000</b>		
Interest rate risk	24,361,125	24,251,263	109,862	357,832
Foreign exchange risk	12,405	-	12,405	992
	24,373,530	24,251,263	122,267	370,237
29,619				
<b>(iv) Operational risk</b>				
			636,404	50,912
<b>Total risk-weighted assets and capital requirements</b>			15,034,593	1,202,767

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### 4. Capital Adequacy (continued)

31 March 2019 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
<b>(i) Credit risk</b>				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	3,334,923	3,334,923	-	-
Banks, Development Financial Institutions and MDBs	2,926,368	2,926,368	686,899	54,952
Corporates	12,787,592	12,787,592	6,945,866	555,669
Other assets	373,918	373,918	373,628	29,890
Total on-balance sheet exposures	<u>19,422,801</u>	<u>19,422,801</u>	<u>8,006,393</u>	<u>640,511</u>
<u>Off-balance sheet exposures:</u>				
Credit-related exposure	5,168,800	5,168,800	4,342,035	347,363
Total off-balance sheet exposures	<u>5,168,800</u>	<u>5,168,800</u>	<u>4,342,035</u>	<u>347,363</u>
Total on and off-balance sheet exposures	<u>24,591,601</u>	<u>24,591,601</u>	<u>12,348,428</u>	<u>987,874</u>
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market risk</b>				
	<b>Long position RM'000</b>	<b>Short position RM'000</b>		
Interest rate risk	20,259,492	20,205,436	54,056	314,734
Foreign exchange risk	21,326	(39)	21,365	21,326
	<u>20,280,818</u>	<u>20,205,397</u>	<u>75,421</u>	<u>336,060</u>
<b>(iv) Operational risk</b>			<u>532,388</u>	<u>42,591</u>
<b>Total risk-weighted assets and capital requirements</b>			<u>13,216,876</u>	<u>1,057,350</u>

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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

## UNAUDITED PILLAR 3 DISCLOSURE 31 MARCH 2020

### 5. Capital Structure

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

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b><u>Tier 1 capital</u></b>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	732,626	514,958
Other reserves	84,833	114,470
	<u>3,270,064</u>	<u>3,082,033</u>
Less: Deferred tax assets	-	-
55% of fair value reserve	(2,394)	(1,580)
Regulatory reserve	(80,480)	(111,598)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<u>3,187,190</u>	<u>2,968,855</u>
<b><u>Tier 2 capital</u></b>		
Expected credit losses (Stage 1 and Stage 2)	97,266	50,929
Regulatory reserve *	78,083	111,598
Total Tier 2 capital	<u>175,349</u>	<u>162,527</u>
Total capital base	<u><u>3,362,539</u></u>	<u><u>3,131,382</u></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.

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**

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**UNAUDITED PILLAR 3 DISCLOSURE**

**31 MARCH 2020**

**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 2020 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

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Tetsuya Kainaka  
Chief Executive Officer

Date: 28 September 2020