

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

UNAUDITED PILLAR 3 DISCLOSURE

30 SEPTEMBER 2018

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

UNAUDITED PILLAR 3 DISCLOSURE

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1. OVERVIEW

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 is 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 (BCBS). 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 Risk Management Committee (RMC), 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 ALM/Risk Management Committee 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.

4. CAPITAL ADEQUACY

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

	30 September 2018	31 March 2018
Core capital ratio	20.581%	22.498%
Risk-weighted capital ratio	21.788%	23.620%

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 30 September 2018, the minimum regulatory capital adequacy requirement is 9.88% (March 2018: 9.88%) 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:

30 September 2018

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
On-balance sheet exposures:				
Sovereigns/ central banks	3,692,061	3,692,061	-	-
Banks, development financial institutions and MDBs	2,667,579	2,667,579	639,799	51,184
Corporates	13,133,928	13,133,928	8,126,661	650,133
Other assets	492,883	492,883	492,647	39,412
Total on-balance sheet exposures	19,986,451	19,986,451	9,259,107	740,729
Off-balance sheet exposures:				
Credit-related exposure	4,450,336	4,450,336	3,721,270	297,702
Total off-balance sheet exposures	4,450,336	4,450,336	3,721,270	297,702
Total on and off-balance sheet exposures	24,436,787	24,436,787	12,980,377	1,038,431
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market Risk				
	Long position	Short position		
Interest rate risk	20,047,645	20,004,952	42,693	287,859
Foreign exchange risk	22,887	(240)	23,127	22,887
	20,070,532	20,004,712	65,820	310,746
(iv) Operational risk			482,589	38,607
Total RWA and Capital Requirements			13,773,712	1,101,898

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4. CAPITAL ADEQUACY (CONTINUED)

31 March 2018

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
On-balance sheet exposures:				
Sovereigns/ central banks	2,897,204	2,897,204	-	-
Banks, development financial institutions and MDBs	2,349,448	2,349,448	548,658	43,893
Corporates	11,351,443	11,351,443	6,745,216	539,617
Other assets	574,257	574,257	573,867	45,909
Total on-balance sheet exposures	17,172,352	17,172,352	7,867,741	629,419
Off-balance sheet exposures:				
Credit-related exposure	4,510,570	4,510,570	3,766,933	301,355
Total off-balance sheet exposures	4,510,570	4,510,570	3,766,933	301,355
Total on and off-balance sheet exposures	21,682,922	21,682,922	11,634,674	930,774
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market Risk				
	Long position	Short position		
Interest rate risk	19,295,245	19,245,606	49,639	22,315
Foreign exchange risk	17,251	(66)	17,317	1,380
	19,312,496	19,245,540	66,956	23,695
(iv) Operational risk			432,769	34,622
Total RWA and Capital Requirements			12,363,628	989,091

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5. CAPITAL STRUCTURE

The components of Tier I and Tier II Capital of the Bank are as follows:

	30 September 2018	31 March 2018
<u>Tier-I Capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Accumulated profit / (losses)	380,823	328,632
Statutory Reserve	-	-
Available-for-sale reserve	1,343	366
	<hr/>	<hr/>
	2,834,771	2,781,603
Less: Deferred tax assets	-	-
Total Tier-I Capital	<hr/>	<hr/>
	2,834,771	2,781,603
<u>Tier-II Capital</u>		
Collective allowance for impairment	28,644	63,584
Regulatory reserve	137,537	75,142
	<hr/>	<hr/>
Tier-2 Capital	166,181	138,726
Total capital base	<hr/>	<hr/>
	3,000,952	2,920,329

6. 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 and placements with other banks.

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

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

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6. CREDIT RISK (CONTINUED)

The Bank has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and 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, and loans, advances and financing as shown in the statement of financial position.

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

The ALM/Risk Management Committee 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 financing share/unit trust.

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6. CREDIT RISK (CONTINUED)

General Disclosure

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

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial Investments available-for-sale 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
30 September 2018											
Agriculture	-	-	-	50,046	-	11,747	-	-	61,793	723,825	785,618
Mining	-	-	-	41,393	-	-	-	-	41,393	-	41,393
Manufacturing	-	-	-	3,491,633	-	13,761	-	-	3,505,394	4,025,572	7,530,966
Electricity	-	-	-	1,038,139	-	-	-	-	1,038,139	60,675	1,098,814
Construction	-	-	-	77,294	-	10,059	-	-	87,353	967,571	1,054,924
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,094,656	-	1,667	-	-	1,096,323	1,642,347	2,738,670
Finance, insurance and business services	4,489,967	795,379	702,585	6,145,217	50,890	427,219	17,634	39,154	12,668,045	18,143,736	30,811,781
Transport, storage and communication	-	-	-	536,139	-	17	-	-	536,156	45,808	581,964
Rea Estate	-	-	-	941,051	-	-	-	-	941,051	381,582	1,322,633
Education, health and others	-	-	-	10,804	-	-	-	-	10,804	1,867,851	1,878,655
	4,489,967	795,379	702,585	13,426,372	50,890	464,470	17,634	39,154	19,986,451	27,858,967	47,845,417
Allowance for collective impairment	(392)	(137)	-	(11,351)	-	-	-	-	(11,880)	-	(11,880)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-
	4,489,575	795,242	702,585	13,415,021	50,890	464,470	17,634	39,154	19,974,571	27,858,967	47,833,537

(*) Exclude allowance for collective impairment on loans, advances and financing

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6. CREDIT RISK (CONTINUED)

General Disclosure (Continued)

	Cash and short- term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial Investments available-for- sale 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 2018											
Agriculture	-	-	-	-	-	34,235	-	-	34,235	733,552	767,787
Mining	-	-	-	38,629	-	-	-	-	38,629	-	38,629
Manufacturing	-	-	-	3,205,237	-	40,433	-	-	3,245,670	3,624,337	6,870,007
Electricity	-	-	-	969,335	-	-	-	-	969,335	56,539	1,025,874
Construction	-	-	-	41,942	-	9,513	-	-	51,455	1,031,185	1,082,640
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,010,962	-	2,566	-	-	1,013,528	1,640,292	2,653,820
Finance, insurance and business services	3,616,844	639,783	550,770	4,838,430	40,700	461,359	13,936	195,759	10,357,581	17,444,597	27,802,178
Transport, storage and communication	-	-	-	536,331	-	-	-	-	536,331	40,987	577,318
Real Estate	-	-	-	911,469	-	6,117	-	-	917,586	388,134	1,305,720
Education, health and others	-	-	-	8,002	-	-	-	-	8,002	1,969,204	1,977,206
	3,616,844	639,783	550,770	11,560,337	40,700	554,223	13,936	195,759	17,172,352	26,928,827	44,101,179
Allowance for collective impairment	-	-	-	(63,584)	-	-	-	-	(63,584)	-	(63,584)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	627	-	627
	3,616,844	639,783	550,770	11,496,753	40,700	554,223	13,936	195,759	17,109,395	26,928,827	44,038,222

(*) Exclude allowance for collective impairment on loans, advances and financing

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6. CREDIT RISK (CONTINUED)

General Disclosure (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 available-for-sale 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
30 September 2018											
Malaysia	4,259,990	795,379	702,585	11,555,257	50,890	455,733	17,634	39,154	17,876,622	24,134,393	42,011,015
Other countries	229,977	-	-	1,871,115	-	8,737	-	-	2,109,829	3,724,574	5,834,403
	4,489,967	795,379	702,585	13,426,372	50,890	464,470	17,634	39,154	19,986,451	27,858,967	47,845,418
31 March 2018											
Malaysia	3,447,947	639,783	550,770	9,885,884	40,700	528,750	13,936	195,759	15,303,529	23,527,789	38,831,318
Other countries	168,897	-	-	1,674,453	-	25,473	-	-	1,868,823	3,401,038	5,269,861
	3,616,844	639,783	550,770	11,560,337	40,700	554,223	13,936	195,759	17,172,352	26,928,827	44,101,179

(*) Exclude allowance for collective impairment on loans, advances and financing

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6. CREDIT RISK (CONTINUED)

General Disclosure (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 56.78% of the Bank's exposures to customers is short term, having contractual maturity of one year or less:-

	Cash and short- term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial Investments available- for-sale 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
30 September 2018									
Up to 1 month	4,489,967	-	-	2,261,119	50,890	9,118	-	34,497	6,845,591
>1-3 months	-	583,312	-	1,915,234	-	24,870	-	-	2,523,416
>3-12 months	-	212,067	702,585	922,222	-	137,913	-	4,657	1,979,444
>1-5 years	-	-	-	7,555,571	-	199,455	17,634	-	7,772,660
>5 years	-	-	-	772,226	-	93,114	-	-	865,340
	<u>4,489,967</u>	<u>795,379</u>	<u>702,585</u>	<u>13,426,372</u>	<u>50,890</u>	<u>464,470</u>	<u>17,634</u>	<u>39,154</u>	<u>19,986,451</u>

(*) Exclude allowance for collective impairment on loans, advances and financing.

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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6. CREDIT RISK (CONTINUED)

General Disclosure (continued)

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial Investments available- for-sale 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
31 March 2018									
Up to 1 month	3,616,844	-	-	2,305,061	40,700	20,192	-	190,490	6,173,287
>1-3 months	-	639,783	-	1,294,633	-	23,153	-	-	1,957,569
>3-12 months	-	-	550,770	1,122,923	-	167,459	-	5,269	1,846,421
>1-5 years	-	-	-	6,190,983	-	268,298	13,936	-	6,473,217
>5 years	-	-	-	646,737	-	75,121	-	-	721,858
	<u>3,616,844</u>	<u>639,783</u>	<u>550,770</u>	<u>11,560,337</u>	<u>40,700</u>	<u>554,223</u>	<u>13,936</u>	<u>195,759</u>	<u>17,172,352</u>

(*). Exclude allowance for collective impairment on loans, advances and financing.

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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6. CREDIT RISK (CONTINUED)

General Disclosure (continued)

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

	Agriculture RM'000	Mining RM'000	Manufacturing RM'000	Electricity RM'000	Construction	Wholesale and retail trade, and restaurants and hotel RM'000	Finance, insurance and business services RM'000	Transport, storage and communication RM'000	Education, health and others RM'000	Real Estate RM'000	Total RM'000
30 September 2018											
Loans, advances and financing	-	122	4,453	-	39	3,297	2,867	218	39	316	11,351
	-	122	4,453	-	39	3,297	2,867	218	39	316	11,351
31 March 2018											
Loans, advances and financing	-	212	17,631	5,331	231	5,560	26,612	2,950	44	5,013	63,584
	-	212	17,631	5,331	231	5,560	26,612	2,950	44	5,013	63,584

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6. CREDIT RISK (CONTINUED)

General Disclosure (Continued)

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

	Malaysia	Other	Total
	RM'000	countries	RM'000
		RM'000	RM'000
30 September 2018			
Loans, advances and financing	8,878	2,473	11,351
	8,878	2,473	11,351
	Malaysia	Other	Total
	RM'000	countries	RM'000
		RM'000	RM'000
31 March 2018			
Loans, advances and financing	54,375	9,209	63,584
	54,375	9,209	63,584

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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios 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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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios under Standardised Approach (Continued)

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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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios under 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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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios under Standardised Approach (Continued)

(a) The following table presents the breakdown of credit exposures by risk weights of the Bank:-

30 September 2018	← Exposure after Netting and Credit Risk Mitigation →				Total Exposure after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other Assets RM'000		
Risk Weights						
0%	3,692,061	-	4,953,810	236	8,646,107	-
20%	-	2,454,533	307,834	-	2,762,367	552,473
50%	-	1,191,098	9,724	-	1,200,822	600,411
100%	-	-	11,334,844	492,647	11,827,491	11,827,493
Total	3,692,061	3,645,631	16,606,212	492,883	24,436,787	12,980,377
Risk-Weighted assets by exposure	-	1,086,456	11,401,275	492,647	12,980,377	
Average Risk Weight	0.0%	29.8%	68.7%	100.0%	53.1%	
Deduction from capital base	-	-	-	-	-	

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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios under Standardised Approach (Continued)

(a) The following table presents the breakdown of credit exposures by risk weights of the Bank:-

31 March 2018	← Exposure after Netting and Credit Risk Mitigation →				Total Exposure after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions and MDBs RM'000	Corporates RM'000	Other Assets RM'000		
Risk Weights						
0%	2,897,204	-	4,603,429	391	7,501,024	-
20%	-	2,223,346	320,615	-	2,543,961	508,792
50%	-	983,569	40,542	-	1,024,111	512,056
100%	-	-	10,039,960	573,866	10,613,826	10,613,826
Total	2,897,204	3,206,915	15,004,546	574,257	21,682,922	11,634,674
Risk-Weighted assets by exposure	-	936,454	10,124,354	573,866	11,634,674	
Average Risk Weight	0.0%	29.2%	67.5%	99.9%	53.7%	
Deduction from capital base	-	-	-	-	-	

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6. CREDIT RISK (CONTINUED)

Disclosure for portfolios under Standardised Approach (Continued)

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

	Rating Categories					
	1 (^)	2	3	4	5	Unrated (*)
30 September 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	3,692,061	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	2,454,533	1,191,098	-	-	-
Corporates	5,261,644	9,724	-	-	-	11,334,844
Other assets	-	-	-	-	-	492,883

	Rating Categories					
	1	2	3	4	5	Unrated (#)
31 March 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	2,897,204	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	2,223,346	983,569	-	-	-
Corporates	4,924,044	40,542	-	-	-	10,039,960
Other assets	-	-	-	-	-	574,257

(*) Total cash of other assets at RM236 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

(^) Total cash collateral of RM4.954 billion was rated at 0% risk under corporates.

(#) Total cash of other assets at RM391 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

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6. CREDIT RISK (CONTINUED)

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

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

30 September 2018 Description	Principal amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Transaction related contingent Items	679,983		339,991	330,074
Short Term Self Liquidating trade related contingencies	323,930		64,786	64,786
Foreign exchange related contracts				
Less than one year	11,566,347		355,911	180,924
One year to less than five years	7,732,737		886,557	550,122
Five years and above	892,033		248,600	106,756
Interest/Profit rate related contracts				
Less than one year	58,800		1,281	596
One year to less than five years	1,187,457		40,718	23,415
Five years and above	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,763,185		2,381,593	2,343,628
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	654,495		130,899	120,969
Total	27,858,967		4,450,336	3,721,270

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6. CREDIT RISK (CONTINUED)

**General Disclosure for Off-Balance Sheet Exposure and Counterparty Credit Risk
(CCR) (Continued)**

31 March 2018 Description	Principal amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Transaction related contingent Items	489,289		244,644	238,904
Short Term Self Liquidating trade related contingencies	281,079		56,216	56,216
Foreign exchange related contracts				
Less than one year	12,316,700		445,427	259,135
One year to less than five years	6,377,068		881,539	543,615
Five years and above	887,498		229,436	97,843
Interest/Profit rate related contracts				
Less than one year	63,605		800	384
One year to less than five years	755,794		27,795	17,971
Five years and above	80,000		4,309	2,154
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,949,487		2,474,744	2,423,583
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	728,307		145,661	127,128
Total	26,928,827		4,510,571	3,766,933

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6. 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:

30 September 2018 Group and Bank	Exposures before CRM 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				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	3,692,061	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,667,579	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	13,133,928	-	4,953,810	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	492,883	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
Total On-Balance Sheet Exposures	19,986,451		4,953,810	
Off Balance Sheet Exposures				
OTC Derivatives	1,533,067	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	2,917,269	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	4,450,336			
Total On and Off-Balance Sheet Exposures	24,436,787		4,953,810	

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6. 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 2018 Group and Bank				
Exposure Class	Exposures before CRM 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	2,897,204	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,349,448	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	11,351,443	-	4,603,433	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	574,257	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
Total On-Balance Sheet Exposures	17,172,352	-	4,603,433	-
<u>Off Balance Sheet Exposures</u>				
OTC Derivatives	1,589,305	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	2,921,265	-	-	-
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	4,510,570	-	-	-
Total On and Off-Balance Sheet Exposures	21,682,922	-	4,603,433	-

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7. 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 categorized 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 Risk Management Committee 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 Risk Management Committee is responsible for the setting limit at a business level. The Risk Management Committee 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/ the Risk Management Committee prior to implementation. Exceptions are escalated to the Board/the Risk Management Committee.

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 ALM/Risk Management Committee 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 currency 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 currency risk.

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7. MARKET RISK (CONTINUED)

The following tables present the minimum disclosure on regulatory capital requirements on market risk:

30 September 2018	Long position RM'000	Short position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest rate risk	20,047,645	20,004,952	287,859	23,029
Foreign exchange risk	22,887	(240)	22,887	1,831
	<u>20,070,532</u>	<u>20,004,712</u>	<u>310,746</u>	<u>24,860</u>

31 March 2018	Long position RM'000	Short position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Interest rate risk	19,295,245	19,245,606	278,934	22,315
Foreign exchange risk	17,251	(66)	17,251	1,380
	<u>19,312,496</u>	<u>19,245,540</u>	<u>296,185</u>	<u>23,695</u>

8. 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.

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8. LIQUIDITY RISK (CONTINUED)

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 ALM/Risk Management Committee 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.

9. 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 ALM/RMC, 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 matching 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 ALM/RMC, whereas, the EVE is monitored and reported to ALM/RMC on a monthly basis.

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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/ (Decline) in profit before taxation	Increase/ (Decline) in equity	Increase/ (Decline) in profit before taxation	Increase/ (Decline) in equity
	30 September 2018	30 September 2018	31 March 2018	31 March 2018
	RM'000	RM'000	RM'000	RM'000
JPY	(707)	(537)	(820)	(623)
USD	2,153	1,636	329	250
MYR	(253)	(192)	1,951	1,483

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10. OPERATIONAL RISK

Operational Risk is the risk of loss resulting from inadequate or failed internal process, 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.

Daily operational risks are managed and controlled within the individual business lines. The ALM/Risk Management Committees monitors the predetermined items to assess the trend of operational risks.

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10. OPERATIONAL RISK (CONTINUED)

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 asset as at 30 September 2018.

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

30 September 2018	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Operational Risk	482,589	38,607

31 March 2018	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Operational Risk	432,769	34,622

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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 period ended 30 September 2018 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

Yoshimi Gunji
Chief Executive Officer

Date: 26 October 2018