

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**  
(Company No. 926374-U)  
(Incorporated in Malaysia)

**UNAUDITED PILLAR 3 DISCLOSURE**  
**30 SEPTEMBER 2017**

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)  
(Incorporated in Malaysia)

## UNAUDITED PILLAR 3 DISCLOSURE 30 SEPTEMBER 2017

### 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:

<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

### 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:

	<b>30 September 2017</b>	<b>31 March 2017</b>
Core capital ratio	22.805%	15.293%
Risk-weighted capital ratio	23.935%	16.432%

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 2017, the minimum regulatory capital adequacy requirement is 9.25% (March 2017: 9.25%) 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 2017

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
<b>(i) Credit risk</b>				
On-balance sheet exposures:				
Sovereigns/ central banks	2,074,109	2,074,109	-	-
Banks, development financial institutions and MDBs	2,060,448	2,060,448	469,084	37,527
Corporates	10,933,618	10,933,618	6,605,755	528,460
Other assets	646,387	646,387	645,936	51,675
Total on-balance sheet exposures	15,714,562	15,714,562	7,720,775	617,662
Off-balance sheet exposures:				
Credit-related exposure	4,331,994	4,331,994	3,484,230	278,738
Total off-balance sheet exposures	4,331,994	4,331,994	3,484,230	278,738
Total on and off-balance sheet exposures	20,046,556	20,046,556	11,205,005	896,400
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	20,408,459	20,353,458	55,001	309,451
Foreign exchange risk	25,317	(199)	25,516	25,317
	20,433,776	20,353,259	80,517	334,768
<b>(iv) Operational risk</b>				
			378,719	30,298
<b>Total RWA and Capital Requirements</b>			11,918,492	953,479

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### 4. CAPITAL ADEQUACY (CONTINUED)

31 March 2017

Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk-weighted assets RM'000	Capital requirements RM'000
<b>(i) Credit risk</b>				
On-balance sheet exposures:				
Sovereigns/ central banks	2,874,325	2,874,325	-	-
Banks, development financial institutions and MDBs	3,476,921	3,476,921	725,974	58,078
Corporates	10,592,481	10,592,481	6,383,185	510,655
Other assets	941,713	941,713	941,282	75,303
Total on-balance sheet exposures	17,885,440	17,885,440	8,050,441	644,036
Off-balance sheet exposures:				
Credit-related exposure	3,994,849	3,994,849	2,990,351	239,228
Total off-balance sheet exposures	21,880,289	21,880,289	11,040,792	883,264
Total on and off-balance sheet exposures	21,880,289	21,880,289	11,040,792	883,264
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	14,955,352	14,909,201	46,151	194,399
Foreign exchange risk	16,559	(82)	16,641	16,559
	14,971,911	14,909,119	62,792	210,958
<b>(iv) Operational risk</b>			321,004	25,680
<b>Total RWA and Capital Requirements</b>			11,572,754	925,821

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### 5. CAPITAL STRUCTURE

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

	30 September 2017	31 March 2017
<b><u>Tier-I Capital</u></b>		
Paid-up ordinary share capital	2,452,605	1,575,000
Accumulated profit / (losses)	137,624	67,150
Statutory Reserve	126,963	126,963
Available-for-sale reserve	771	716
	<hr/>	<hr/>
	2,717,963	1,769,829
Less: Deferred tax assets	-	-
Total Tier-I Capital	<hr/>	<hr/>
	2,717,963	1,769,829
<b><u>Tier-II Capital</u></b>		
Collective allowance for impairment	72,719	76,417
Regulatory reserve	61,963	55,349
	<hr/>	<hr/>
Tier-2 Capital	134,682	131,766
Total capital base	<hr/>	<hr/>
	2,852,645	1,901,595

### 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
<b>30 September 2017</b>											
Agriculture	-	-	-	154,209	-	15,889	-	-	170,098	588,325	758,423
Mining	-	-	-	150,045	-	-	-	-	150,045	-	150,045
Manufacturing	-	-	-	2,514,620	-	12,699	-	-	2,527,319	3,555,875	6,083,194
Electricity	-	-	-	1,061,165	-	-	-	-	1,061,165	144,829	1,205,994
Construction	-	-	-	28,617	-	41,419	-	-	70,036	1,427,923	1,497,959
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,009,771	-	2,060	-	-	1,011,831	1,413,633	2,425,464
Finance, insurance and business services	2,774,652	424,420	632,447	5,333,068	29,656	525,076	14,430	46,237	9,779,986	17,727,209	27,507,195
Transport, storage and communication	-	-	-	520,557	-	-	-	-	520,557	17,312	537,869
Rea Estate	-	-	-	405,694	-	8,198	-	-	413,892	898,088	1,311,980
Education, health and others	-	-	-	9,633	-	-	-	-	9,633	1,478,408	1,488,041
	2,774,652	424,420	632,447	11,187,379	29,656	605,341	14,430	46,237	15,714,562	27,251,602	42,966,164
Allowance for collective impairment	-	-	-	(72,719)	-	-	-	-	(72,719)	-	(72,719)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-
	2,774,652	424,420	632,447	11,114,660	29,656	605,341	14,430	46,237	15,641,843	27,251,602	42,893,445

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



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**6. CREDIT RISK (CONTINUED)**

**General Disclosure (Continued)**

	<b>Cash and short-term funds</b>	<b>Deposits and placements with banks and other financial institutions</b>	<b>Financial Investments available-for-sale</b>	<b>Loans, advances and financing (*)</b>	<b>Statutory Deposits with BNM</b>	<b>Derivative Financial assets</b>	<b>Plant and equipment</b>	<b>Other assets</b>	<b>Total on-balance sheet exposures</b>	<b>Total off-balance sheet exposures</b>	<b>Total exposures</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2017</b>											
Agriculture	-	-	-	54,180	-	164	-	-	54,344	510,831	565,175
Mining	-	-	-	157,578	-	-	-	-	157,578	-	157,578
Manufacturing	-	-	-	2,535,097	-	7,859	-	-	2,542,956	3,448,156	5,991,112
Electricity	-	-	-	1,112,626	-	-	-	-	1,112,626	6,370	1,118,996
Construction	-	-	-	64,598	-	81,944	-	-	146,542	1,197,250	1,343,792
Wholesale and retail trade, and restaurants and hotel	-	-	-	895,371	-	1,651	-	-	897,022	1,244,365	2,141,387
Finance, insurance and business services	4,704,896	626,193	682,204	5,147,686	2,228	828,251	14,835	18,704	12,024,997	12,115,558	24,140,555
Transport, storage and communication	-	-	-	520,811	-	-	-	-	520,811	16,127	536,938
Real Estate	-	-	-	417,327	-	-	-	-	417,327	387,626	804,953
Education, health and others	-	-	-	11,237	-	-	-	-	11,237	1,224,867	1,236,104
	4,704,896	626,193	682,204	10,916,511	2,228	919,869	14,835	18,704	17,885,440	20,151,150	38,036,590
Allowance for collective impairment	-	-	-	(76,417)	-	-	-	-	(76,417)	-	(76,417)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	11,621	-	11,621
	4,704,896	626,193	682,204	10,840,094	2,228	919,869	14,835	18,704	17,820,644	20,151,150	37,971,794

(\*) 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:-

	<b>Cash and short- term funds RM'000</b>	<b>Deposits and placements with banks and other financial institutions RM'000</b>	<b>Financial Investments available- for-sale RM'000</b>	<b>Loans, advances and financing (* RM'000</b>	<b>Statutory Deposits with BNM RM'000</b>	<b>Derivative Financial assets RM'000</b>	<b>Plant and equipment RM'000</b>	<b>Other assets RM'000</b>	<b>Total on- balance sheet exposures RM'000</b>	<b>Total off- balance sheet exposures RM'000</b>	<b>Total exposures RM'000</b>
<b>30 September 2017</b>											
Malaysia	2,593,252	424,420	632,447	9,553,955	29,656	585,198	14,430	46,050	13,879,408	24,018,900	37,898,308
Other countries	181,400	-	-	1,633,424	-	20,143	-	187	1,835,154	3,232,702	5,067,856
	<u>2,774,652</u>	<u>424,420</u>	<u>632,447</u>	<u>11,187,379</u>	<u>29,656</u>	<u>605,341</u>	<u>14,430</u>	<u>46,237</u>	<u>15,714,562</u>	<u>27,251,602</u>	<u>42,966,164</u>
<b>31 March 2017</b>											
Malaysia	4,527,042	626,193	682,204	9,240,693	2,228	883,676	14,835	18,540	15,995,411	19,047,624	35,043,035
Other countries	177,854	-	-	1,675,818	-	36,193	-	164	1,890,029	1,103,526	2,993,555
	<u>4,704,896</u>	<u>626,193</u>	<u>682,204</u>	<u>10,916,511</u>	<u>2,228</u>	<u>919,869</u>	<u>14,835</u>	<u>18,704</u>	<u>17,885,440</u>	<u>20,151,150</u>	<u>38,036,590</u>

(\* ) 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 53.84% of the Bank's exposures to customers is short term, having contractual maturity of one year or less:-

	<b>Cash and short-term funds</b>	<b>Deposits and placements with banks and other financial institutions</b>	<b>Financial Investments available-for-sale</b>	<b>Loans, advances and financing (*)</b>	<b>Statutory Deposits with BNM</b>	<b>Derivative Financial assets</b>	<b>Plant and equipment</b>	<b>Other assets</b>	<b>Total on-balance sheet exposures</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 September 2017</b>									
Up to 1 month	2,774,652	-	-	2,611,840	29,656	6,527	-	43,778	5,466,453
>1-3 months	-	424,420	-	853,607	-	63,953	-	-	1,341,980
>3-12 months	-	-	632,447	901,584	-	115,925	-	2,456	1,652,412
>1-5 years	-	-	-	6,820,348	-	418,936	14,430	3	7,253,717
	<u>2,774,652</u>	<u>424,420</u>	<u>632,447</u>	<u>11,187,379</u>	<u>29,656</u>	<u>605,341</u>	<u>14,430</u>	<u>46,237</u>	<u>15,714,562</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)**

	<b>Cash and short-term funds RM'000</b>	<b>Deposits and placements with banks and other financial institutions RM'000</b>	<b>Financial Investments available- for-sale RM'000</b>	<b>Loans, advances and financing (* RM'000</b>	<b>Statutory Deposits with BNM RM'000</b>	<b>Derivative Financial assets RM'000</b>	<b>Plant and equipment RM'000</b>	<b>Other assets RM'000</b>	<b>Total on- balance sheet exposures RM'000</b>
<b>31 March 2017</b>									
Up to 1 month	4,704,896	-	-	2,297,911	2,228	5,567	-	17,550	7,028,152
>1-3 months	-	526,193	-	902,860	-	25,079	-	-	1,454,132
>3-12 months	-	100,000	682,204	711,848	-	260,585	-	1,150	1,755,787
>1-5 years	-	-	-	7,003,892	-	628,638	14,835	4	7,647,369
	<u>4,704,896</u>	<u>626,193</u>	<u>682,204</u>	<u>10,916,511</u>	<u>2,228</u>	<u>919,869</u>	<u>14,835</u>	<u>18,704</u>	<u>17,885,440</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
<b>30 September 2017</b>											
Loans, advances and financing	1,002	975	16,345	6,898	186	6,564	34,665	3,384	63	2,637	72,719
	<u>1,002</u>	<u>975</u>	<u>16,345</u>	<u>6,898</u>	<u>186</u>	<u>6,564</u>	<u>34,665</u>	<u>3,384</u>	<u>63</u>	<u>2,637</u>	<u>72,719</u>
<b>31 March 2017</b>											
Loans, advances and financing	379	1,103	17,746	7,788	452	6,268	36,035	3,646	79	2,921	76,417
	<u>379</u>	<u>1,103</u>	<u>17,746</u>	<u>7,788</u>	<u>452</u>	<u>6,268</u>	<u>36,035</u>	<u>3,646</u>	<u>79</u>	<u>2,921</u>	<u>76,417</u>

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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:-

	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>30 September 2017</b>			
Loans, advances and financing	62,102	10,617	72,719
	<u>62,102</u>	<u>10,617</u>	<u>72,719</u>
<b>31 March 2017</b>			
Loans, advances and financing	75,825	592	76,417
	<u>75,825</u>	<u>592</u>	<u>76,417</u>

(f) Movements in collective allowance for impairment on loans, advances and financing:-

	<b>30 September 2017 RM'000</b>	<b>31 March 2017 RM'000</b>
At beginning of the financial period	76,417	35,223
Allowance made during the financial period	(3,698)	41,194
At end of the financial period	<u>72,719</u>	<u>76,417</u>
As % of gross loans, advances and financing (net of individual allowance)	<u>0.65%</u>	<u>0.70%</u>

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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 2017	← 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%	2,074,109	-	4,325,464	450	6,400,023	-
20%	-	2,063,510	262,059	-	2,325,569	465,114
50%	-	1,149,478	12,666	-	1,162,144	581,072
100%	-	-	9,512,883	645,937	10,158,820	10,158,819
<b>Total</b>	<b>2,074,109</b>	<b>3,212,988</b>	<b>14,113,072</b>	<b>646,387</b>	<b>20,046,556</b>	<b>11,205,005</b>
Risk-Weighted assets by exposure	-	987,441	9,571,628	645,936	11,205,005	
Average Risk Weight	0.0%	30.7%	67.8%	99.9%	55.9%	
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 2017	← 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%	2,874,325	-	4,207,235	429	7,081,989	-
20%	-	3,601,015	283,387	-	3,884,402	776,880
50%	-	1,298,206	1,770	-	1,299,976	649,989
100%	-	-	8,672,638	941,284	9,613,922	9,613,923
<b>Total</b>	<b>2,874,325</b>	<b>4,899,221</b>	<b>13,165,030</b>	<b>941,713</b>	<b>21,880,289</b>	<b>11,040,792</b>
Risk-Weighted assets by exposure	-	1,369,305	8,730,203	941,284	11,040,792	
Average Risk Weight	0.0%	27.9%	66.3%	100.0%	50.5%	
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 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	2,074,109	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	2,063,510	1,149,478	-	-	-
Corporates	4,587,523	12,666	-	-	-	9,512,883
Other assets	-	-	-	-	-	646,387

	Rating Categories					
	1	2	3	4	5	Unrated (#)
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	2,874,325	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	3,601,015	1,298,206	-	-	-
Corporates	4,490,622	1,770	-	-	-	8,672,638
Other assets	-	-	-	-	-	941,713

(\*) Total cash of other assets at RM450 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

(^) Total cash collateral of RM4.325 billion was rated at 0% risk under corporates.

(#) Total cash of other assets at RM429 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:

<b>30 September 2017</b> <b>Description</b>	<b>Principal amount</b> <b>RM'000</b>	<b>Positive Fair Value of Derivative Contracts</b> <b>RM'000</b>	<b>Credit equivalent amount</b> <b>RM'000</b>	<b>Risk weighted assets</b> <b>RM'000</b>
Transaction related contingent Items	380,126		190,063	178,582
Short Term Self Liquidating trade related contingencies	246,897		49,379	49,379
Foreign exchange related contracts				
Less than one year	11,104,746		369,796	216,429
One year to less than five years	8,378,762		1,126,818	653,040
Five years and above	922,820		280,050	120,339
Interest/Profit rate related contracts				
Less than one year	68,012		512	226
One year to less than five years	821,317		27,757	18,914
Five years and above	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,072,777		2,036,388	2,002,613
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,256,146		251,229	244,705
<b>Total</b>	<b>27,251,603</b>		<b>4,331,992</b>	<b>3,484,227</b>

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**6. CREDIT RISK (CONTINUED)**

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

<b>31 March 2017 Description</b>	<b>Principal amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
Transaction related contingent Items	348,655		174,328	162,846
Short Term Self Liquidating trade related contingencies	52,505		10,501	10,501
Foreign exchange related contracts				
Less than one year	5,299,673		391,607	234,413
One year to less than five years	8,571,990		1,314,041	730,722
Five years and above	984,034		319,343	140,564
Interest/Profit rate related contracts				
Less than one year	39,998		91	53
One year to less than five years	583,124		22,556	15,665
Five years and above	220,792		13,304	9,554
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,130,007		1,565,004	1,529,606
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	920,369		184,074	156,427
<b>Total</b>	<b>20,151,147</b>		<b>3,994,849</b>	<b>2,990,351</b>

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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 2017 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
<b>Exposure Class</b>				
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	2,074,109	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,212,986	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	14,113,074	-	4,325,466	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	646,387	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>20,046,556</b>	<b>-</b>	<b>4,325,466</b>	<b>-</b>
<b>Off Balance Sheet Exposures</b>				
OTC Derivatives	1,804,934	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	2,527,060	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>4,331,994</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>24,378,550</b>	<b>-</b>	<b>4,325,466</b>	<b>-</b>

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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 2017 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
<b>Credit Risk</b>				
<b><u>On-Balance Sheet Exposures</u></b>				
Sovereigns/Central Banks	2,874,325	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	4,899,221	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	13,165,030	-	4,207,237	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	941,713	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	21,880,289	-	-	-
<b><u>Off Balance Sheet Exposures</u></b>				
OTC Derivatives	2,060,943	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	1,933,906	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	3,994,849	-	-	-
<b>Total On and Off-Balance Sheet Exposures</b>	25,875,138	-	4,207,237	-



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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:

<b>30 September 2017</b>	<b>Long position RM'000</b>	<b>Short position RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Interest rate risk	20,408,459	20,353,458	309,451	24,756
Foreign exchange risk	25,317	(199)	25,317	2,025
	<u>20,433,776</u>	<u>20,353,259</u>	<u>334,768</u>	<u>26,781</u>

<b>31 March 2017</b>	<b>Long position RM'000</b>	<b>Short position RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Interest rate risk	14,955,352	14,909,201	194,399	15,552
Foreign exchange risk	16,559	(82)	16,559	1,325
	<u>14,971,911</u>	<u>14,909,119</u>	<u>210,958</u>	<u>16,877</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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**Interest rate risk management (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 (100 basis points) Hike		Impact on Positions as at Reporting Period (100 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 2017	30 September 2017	31 March 2017	31 March 2017
	RM'000	RM'000	RM'000	RM'000
JPY	(364)	(277)	(163)	(124)
USD	1,947	1,480	1,416	1,076
MYR	(5,612)	(4,265)	(3,349)	(2,545)

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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 2017.

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

<b>30 September 2017</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Operational Risk	378,719	30,298

  

<b>31 March 2017</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Operational Risk	321,004	25,680

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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 2017 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: 25 October 2017