

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED PILLAR 3 DISCLOSURE**

**31 March 2016**

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

**UNAUDITED PILLAR 3 DISCLOSURE**  
**31 MARCH 2016**

**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 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. 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>31 March 2016</b>	<b>31 March 2015</b>
Core capital ratio	19.451%	15.341%
Risk-weighted capital ratio	20.329%	16.001%

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 2016, the minimum regulatory capital adequacy requirement is 8.625% (March 2015: 8.00%) 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 2016

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	2,834,231	2,834,231	-	-
Banks, development financial institutions and MDBs	2,341,904	2,341,904	468,380	37,470
Corporates	6,403,853	6,403,853	4,945,614	395,649
Other assets	690,784	690,784	690,414	55,234
Total on-balance sheet exposures	12,270,772	12,270,772	6,104,408	488,353
Off-balance sheet exposures:				
Credit-related exposure	2,960,892	2,960,892	2,218,940	177,515
Total off-balance sheet exposures	2,960,892	2,960,892	2,218,940	177,515
Total on and off-balance sheet exposures	15,231,664	15,231,664	8,323,348	665,868
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	13,110,560	13,039,685	70,876	190,435
Foreign exchange risk	3,463	(49)	3,512	277
	13,114,023	13,039,636	74,388	193,898
<b>(iv) Operational risk</b>			238,734	19,099
<b>Total RWA and Capital Requirements</b>			8,755,980	700,479

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### 4. CAPITAL ADEQUACY (CONTINUED)

31 March 2015

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	1,454,971	1,454,971	-	-
Banks, development financial institutions and MDBs	3,353,093	3,353,093	670,619	53,650
Corporates	2,791,721	2,791,721	2,591,721	207,338
Other assets	405,347	405,347	404,982	32,398
Total on-balance sheet exposures	8,005,132	8,005,132	3,667,322	293,386
Off-balance sheet exposures:				
Credit-related exposure	1,687,260	1,687,260	1,094,214	87,537
Total off-balance sheet exposures	1,687,260	1,687,260	1,094,214	87,537
Total on and off-balance sheet exposures	9,692,392	9,692,392	4,761,536	380,923
<b>(ii) Large exposure risk requirement</b>				
	-	-	-	-
<b>(iii) Market Risk</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	9,105,146	9,057,316	47,830	128,248
Foreign exchange risk	346	(264)	610	346
	9,105,492	9,057,052	48,440	128,594
<b>(iv) Operational risk</b>			182,109	14,569
<b>Total RWA and Capital Requirements</b>			5,072,239	405,780

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**5. CAPITAL STRUCTURE**

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

	<b>31 March 2016</b>	<b>31 March 2015</b>
<b><u>Tier-I Capital</u></b>		
Paid-up ordinary share capital	1,575,000	700,000
Accumulated profit / (losses)	40,929	28,457
Statutory Reserve	87,018	49,673
Available-for-sale reserve	171	(8)
	1,703,118	778,122
Less: Deferred tax assets	-	-
Total Tier-I Capital	1,703,118	778,122
<b><u>Tier-II Capital</u></b>		
Collective allowance for impairment	35,223	16,751
Regulatory reserve	41,624	16,751
Tier-2 Capital	76,847	33,502
Total capital base	1,779,965	811,624

**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 Credit Committee as one of the management committees with 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:-

	<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 2016</b>											
Agriculture	-	-	-	80,473	-	-	-	-	80,473	31,704	112,177
Mining	-	-	-	316,054	-	-	-	-	316,054	-	316,054
Manufacturing	-	-	-	1,726,457	-	51,781	-	-	1,778,238	2,818,129	4,596,367
Electricity	-	-	-	126,680	-	-	-	-	126,680	6,634	133,314
Construction	-	-	-	24,868	-	57,837	-	-	82,705	1,667,095	1,749,800
Wholesale and retail trade, and restaurants and hotel	-	-	-	714,835	-	7,785	-	-	722,620	715,176	1,437,796
Finance, insurance and business services	4,800,811	187,530	160,975	2,934,749	-	551,676	17,840	30,707	8,684,288	10,589,628	19,273,916
Transport, storage and communication	-	-	-	303,446	-	-	-	-	303,446	57,801	361,247
Rea Estate	-	-	-	159,403	-	-	-	-	159,403	179,026	338,429
Education, health and others	-	-	-	16,865	-	-	-	-	16,865	823,753	840,618
	<b>4,800,811</b>	<b>187,530</b>	<b>160,975</b>	<b>6,403,830</b>	<b>-</b>	<b>669,079</b>	<b>17,840</b>	<b>30,707</b>	<b>12,270,772</b>	<b>16,888,946</b>	<b>29,159,718</b>
Allowance for collective impairment	-	-	-	(35,223)	-	-	-	-	(35,223)	-	(35,223)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	9,188	-	9,188
	<b>4,800,811</b>	<b>187,530</b>	<b>160,975</b>	<b>6,368,607</b>	<b>-</b>	<b>669,079</b>	<b>17,840</b>	<b>30,707</b>	<b>12,244,737</b>	<b>16,888,946</b>	<b>29,133,683</b>

(\*) 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
<b>31 March 2015</b>											
Agriculture	-	-	-	28,805	-	-	-	-	28,805	30,297	59,102
Mining	-	-	-	325,946	-	-	-	-	325,946	-	325,946
Manufacturing	-	-	-	724,565	-	17,646	-	-	742,211	2,153,600	2,895,811
Electricity	-	-	-	127,311	-	-	-	-	127,311	7,211	134,522
Construction	-	-	-	32,839	-	28,701	-	-	61,540	995,266	1,056,806
Wholesale and retail trade, and restaurants and hotel	-	-	-	177,140	-	1,150	-	-	178,290	362,386	540,676
Finance, insurance and business services	4,038,925	637,033	129,654	1,102,352	-	332,753	20,253	7,315	6,268,285	6,311,663	12,579,948
Transport, storage and communication	-	-	-	96,646	-	-	-	-	96,646	240,245	336,891
Real Estate	-	-	-	156,020	-	-	-	-	156,020	178,184	334,204
Education, health and others	-	-	-	20,078	-	-	-	-	20,078	442,656	462,734
	4,038,925	627,033	129,654	2,791,702	-	380,250	20,253	7,315	8,005,132	10,721,508	18,726,640
Allowance for collective impairment	-	-	-	(16,751)	-	-	-	-	(16,751)	-	(16,751)
Other Assets not subject to credit risk	-	-	-	-	-	-	-	-	7,685	-	7,685
	4,038,925	627,033	129,654	2,774,951	-	380,250	20,253	7,315	7,996,066	10,721,508	18,717,574

(\* ) 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
<b>31 March 2016</b>											
Malaysia	4,731,366	187,530	160,975	6,176,810	-	666,180	17,840	30,705	11,971,406	14,363,844	26,335,250
Other countries	69,445	-	-	227,020	-	2,899	-	2	299,366	2,525,102	2,824,468
	4,800,811	187,530	160,975	6,403,830	-	669,079	17,840	30,707	12,270,772	16,888,946	29,159,718
<b>31 March 2015</b>											
Malaysia	3,124,045	637,033	129,654	2,427,653	-	375,419	20,253	7,186	6,721,243	10,614,454	17,335,697
Other countries	914,880	-	-	364,049	-	4,831	-	129	1,283,889	107,054	1,390,943
	4,038,925	637,033	129,654	2,791,702	-	380,250	20,253	7,315	8,005,132	10,721,508	18,726,640

(\*) 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 63.75% 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> RM'000	<b>Deposits and placements with banks and other financial institutions</b> RM'000	<b>Financial Investments available-for-sale</b> RM'000	<b>Loans, advances and financing (*)</b> RM'000	<b>Statutory Deposits with BNM</b> RM'000	<b>Derivative Financial assets</b> RM'000	<b>Plant and equipment</b> RM'000	<b>Other assets</b> RM'000	<b>Total on-balance sheet exposures</b> RM'000
<b>31 March 2016</b>									
Up to 1 month	4,800,811	-	-	1,893,601	-	20,794	-	3,444	6,718,650
>1-3 months	-	187,530	-	314,842	-	25,992	-	-	528,364
>3-12 months	-	-	160,975	376,249	-	38,102	-	484	575,810
>1-5 years	-	-	-	3,819,138	-	584,191	17,840	26,779	4,447,948
	<u>4,800,811</u>	<u>187,530</u>	<u>160,975</u>	<u>6,403,830</u>	<u>-</u>	<u>669,079</u>	<u>17,840</u>	<u>30,707</u>	<u>12,270,772</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 2015</b>									
Up to 1 month	4,038,925	-	34,954	29,396	-	-	-	3,993	4,107,268
>1-3 months	-	637,033	94,700	19,289	-	-	-	902	751,924
>3-12 months	-	-	-	654,444	-	63,724	-	2,420	720,588
>1-5 years	-	-	-	2,088,573	-	316,526	20,253	-	2,425,352
	<u>4,038,925</u>	<u>637,033</u>	<u>129,654</u>	<u>2,791,702</u>	<u>-</u>	<u>380,250</u>	<u>20,253</u>	<u>7,315</u>	<u>8,005,132</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>31 March 2016</b>											
Loans, advances and financing	443	1,738	9,496	697	137	3,932	16,141	1,669	93	877	35,223
	443	1,738	9,496	697	137	3,932	16,141	1,669	93	877	35,223
<b>31 March 2015</b>											
Loans, advances and financing	173	1,956	4,347	764	197	1,064	6,614	580	120	936	16,751
	173	1,956	4,347	764	197	1,064	6,614	580	120	936	16,751

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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>31 March 2016</b>			
Loans, advances and financing	33,973	1,250	35,223
	33,973	1,250	35,223

	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>31 March 2015</b>			
Loans, advances and financing	14,567	2,184	16,751
	14,567	2,184	16,751

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

	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
At beginning of the financial period	16,751	8,283
Allowance made during the financial period	18,472	8,468
At end of the financial period	35,223	16,751
As % of gross loans, advances and financing (net of individual allowance)	0.55%	0.60%

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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**

<b>Rating Category</b>	<b>S&amp;P</b>	<b>Moody's</b>	<b>Fitch</b>	<b>RAM</b>	<b>MARC</b>	<b>R&amp;I</b>	<b>Risk Weight</b>
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:-

31 March 2016	← Exposure after Netting and Credit Risk Mitigation →				Total Exposure after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions and MDBs	Corporates	Other Assets		
Risk Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	2,834,231	-	1,310,512	370	4,145,113	-
20%	-	2,517,606	257,929	-	2,775,535	555,107
50%	-	791,394	294,159	-	1,085,553	542,778
100%	-	-	6,535,049	690,414	7,225,463	7,225,463
<b>Total</b>	<b>2,834,231</b>	<b>3,309,000</b>	<b>8,397,649</b>	<b>690,784</b>	<b>15,231,664</b>	<b>8,323,348</b>
Risk-Weighted assets by exposure	-	898,219	6,733,715	690,414	8,323,348	
Average Risk Weight	0.0%	27.2%	80.2%	99.9%	54.6%	
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 2015	← 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%	1,454,971	-	-	365	1,455,336	-
20%	-	3,944,678	273,762	-	4,218,440	843,688
50%	-	25,740	175,795	-	201,535	100,768
100%	-	-	3,412,098	404,982	3,817,080	3,817,080
<b>Total</b>	<b>1,454,971</b>	<b>3,970,418</b>	<b>3,861,655</b>	<b>405,347</b>	<b>9,692,391</b>	<b>4,761,536</b>
Risk-Weighted assets by exposure	-	801,806	3,554,748	404,982	4,761,536	
Average Risk Weight	0.0%	20.2%	92.1%	99.9%	49.1%	
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 (*)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 March 2016</b>						
Sovereign and Central Bank	2,834,231	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	2,517,606	791,394	-	-	-
Corporates	1,568,441	294,159	-	-	-	6,535,049
Other assets	-	-	-	-	-	690,784

	Rating Categories					
	1	2	3	4	5	Unrated (#)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 March 2015</b>						
Sovereign and Central Bank	1,454,971	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	3,944,568	25,740	-	-	-
Corporates	273,762	175,795	-	-	-	3,412,098
Other assets	-	-	-	-	-	405,347

(\*) Total cash of other assets at RM370 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

(^) Total cash collateral of RM1,310,512 thousand was rated at 0% risk under corporates.

(#) Total cash of other assets at RM365 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>31 March 2016</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	172,497		86,249	74,767
Short Term Self Liquidating trade related contingencies	38,413		7,683	7,683
Foreign exchange related contracts				
Less than one year	4,573,626		250,552	159,320
One year to less than five years	7,236,524		1,050,360	595,096
Five years and above	1,392,619		353,301	189,110
Interest/Profit rate related contracts				
Less than one year	33,118		164	124
One year to less than five years	448,648		17,604	13,606
Five years and above	213,904		16,610	13,402
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,074,829		1,037,415	1,037,415
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	704,768		140,954	128,417
<b>Total</b>	<b>16,888,946</b>		<b>2,960,892</b>	<b>2,218,940</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 2015 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	131,972		65,986	54,505
Short Term Self Liquidating trade related contingencies	18,070		3,614	3,614
Foreign exchange related contracts				
Less than one year	3,666,400		134,979	67,634
One year to less than five years	4,401,367		620,932	271,771
Five years and above	602,100		184,599	58,652
Interest/Profit rate related contracts				
Less than one year	10,000		51	10
One year to less than five years	189,322		4,012	2,448
Five years and above	219,607		17,888	11,445
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,195,547		597,774	566,710
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	287,123		57,425	57,425
<b>Total</b>	<b>10,721,508</b>		<b>1,687,260</b>	<b>1,094,214</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 2016 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><u>On-Balance Sheet Exposures</u></b>				
Sovereigns/Central Banks	2,834,231	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,309,000	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	8,397,649	-	1,310,511	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	690,783	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>15,231,663</b>	<b>-</b>	<b>1,310,511</b>	<b>-</b>
<b><u>Off Balance Sheet Exposures</u></b>				
OTC Derivatives	1,688,592	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	1,272,299	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>2,960,891</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>18,192,554</b>	<b>-</b>	<b>1,310,511</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 2015 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><u>On-Balance Sheet Exposures</u></b>				
Sovereigns/Central Banks	1,454,971	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,970,418	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	3,861,655	-	-	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	405,347	-	-	-
Specialised Financing/Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>9,692,391</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Off Balance Sheet Exposures</u></b>				
OTC Derivatives	962,461	-	-	-
Credit Derivatives	-	-	-	-
Off -Balance sheet exposures other than OTC derivatives or credit derivatives	724,798	-	-	-
Defaulted Exposures	-	-	-	-
<b>Total for Off-Balance Sheet Exposures</b>	<b>1,687,259</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>11,379,650</b>	<b>-</b>	<b>-</b>	<b>-</b>



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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 the 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>31 March 2016</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	13,110,560	13,039,685	190,435	15,235
Foreign exchange risk	3,463	(49)	3,463	277
	<u>13,114,023</u>	<u>13,039,636</u>	<u>193,898</u>	<u>15,512</u>

<b>31 March 2015</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	9,105,146	9,057,316	128,248	10,260
Foreign exchange risk	346	(264)	346	28
	<u>9,105,492</u>	<u>9,057,052</u>	<u>128,594</u>	<u>10,288</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 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 (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
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	RM'000	RM'000	RM'000	RM'000
JPY	(98)	(74)	(37)	(28)
USD	(932)	(708)	329	247
MYR	356	271	291	218

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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 31 March 2016.

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

<b>31 March 2016</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Operational Risk	238,734	19,099

  

<b>31 March 2015</b>	<b>Risk-Weighted Assets RM'000</b>	<b>Minimum Capital Requirements at 8% RM'000</b>
Operational Risk	182,109	14,569

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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 31 March 2016 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