

**SUMITOMO MITSUI BANKING CORPORATION
MALAYSIA BERHAD**

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

**UNAUDITED PILLAR 3 DISCLOSURE
31 MARCH 2024**

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]

(Incorporated in Malaysia)

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31 MARCH 2024

1. Overview

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

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

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

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

2. Capital Management

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

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3. Capital Management Framework

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

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

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

3.1. Credit Risk

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

Credit Risk Management

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

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

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

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3.1. Credit Risk (continued)

Credit Risk Governance

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

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

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

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

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

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3.1. Credit Risk (continued)

Distribution of credit exposures

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

	Cash and short-term funds*	Deposits and placements with banks and other financial institutions*	Financial investments FVOCI	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on-balance sheet exposures	Total off-balance sheet exposures	Total exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2024											
Agriculture	-	-	-	15,006	-	-	-	-	15,006	343,833	358,839
Mining and quarrying	-	-	-	890,826	-	67	-	-	890,893	381,297	1,272,190
Manufacturing	-	-	-	1,889,650	-	74,382	-	-	1,964,032	7,648,418	9,612,450
Electricity, gas and water	-	-	-	584,743	-	-	-	-	584,743	851,322	1,436,065
Construction	-	-	-	171,035	-	49	-	-	171,084	383,260	554,344
Wholesale and retail trade, and restaurants and hotel	-	-	-	669,104	-	6,525	-	-	675,629	2,599,621	3,275,250
Finance, insurance and business services	5,769,489	2,035,228	3,373,882	5,974,949	650	729,459	9,661	102,810	17,996,128	28,408,104	46,404,232
Transport, storage and communication	-	-	-	1,612,864	-	1,566	-	-	1,614,430	385,164	1,999,594
Real estate	-	-	-	1,726,747	-	-	-	-	1,726,747	230,190	1,956,937
Education, health and others	-	-	-	910,061	-	682	-	-	910,743	317,417	1,228,160
	<u>5,769,489</u>	<u>2,035,228</u>	<u>3,373,882</u>	<u>14,444,985</u>	<u>650</u>	<u>812,730</u>	<u>9,661</u>	<u>102,810</u>	<u>26,549,435</u>	<u>41,548,626</u>	<u>68,098,061</u>
Allowance for ECL	(1,595)	(1,333)	-	(91,597)	-	-	-	(38)	(94,563)	-	(94,563)
Other assets not subject to credit risk	-	-	-	-	-	-	-	101,495	101,495	-	101,495
	<u>5,767,894</u>	<u>2,033,895</u>	<u>3,373,882</u>	<u>14,353,388</u>	<u>650</u>	<u>812,730</u>	<u>9,661</u>	<u>204,267</u>	<u>26,556,367</u>	<u>41,548,626</u>	<u>68,104,993</u>

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

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

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

* Exclude allowance for ECL

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

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

	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on-balance sheet exposures RM'000	Total off-balance sheet exposures RM'000	Total exposures RM'000
31 March 2024											
Malaysia	5,217,298	2,035,228	3,373,882	13,449,567	650	798,400	9,661	102,810	24,987,496	38,081,566	63,069,062
Other countries	552,191	-	-	995,418	-	14,330	-	-	1,561,939	3,467,060	5,028,999
	<u>5,769,489</u>	<u>2,035,228</u>	<u>3,373,882</u>	<u>14,444,985</u>	<u>650</u>	<u>812,730</u>	<u>9,661</u>	<u>102,810</u>	<u>26,549,435</u>	<u>41,548,626</u>	<u>68,098,061</u>
31 March 2023											
Malaysia	5,833,466	1,968,874	703,693	13,841,777	45,000	583,515	7,795	44,434	23,028,554	31,476,055	54,504,609
Other countries	78,290	-	-	1,438,150	-	3,434	-	-	1,519,874	1,681,171	3,201,045
	<u>5,911,756</u>	<u>1,968,874</u>	<u>703,693</u>	<u>15,279,927</u>	<u>45,000</u>	<u>586,949</u>	<u>7,795</u>	<u>44,434</u>	<u>24,548,428</u>	<u>33,157,226</u>	<u>57,705,654</u>

* Exclude allowance for ECL

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

(c) The following table presents the residual contractual maturity breakdown by major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 59.87% of the Bank's exposures to customers are 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 FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on- balance sheet exposures RM'000
31 March 2024									
Up to 1 month	5,769,489	-	-	2,385,516	650	29,493	-	100,831	8,285,979
> 1-3 months	-	2,035,228	-	752,262	-	22,788	-	-	2,810,278
> 3-12 months	-	-	3,373,882	1,292,569	-	129,575	-	1,979	4,798,005
> 1-5 years	-	-	-	8,985,696	-	623,638	9,661	-	9,618,995
> 5 years	-	-	-	1,028,942	-	7,236	-	-	1,036,178
	5,769,489	2,035,228	3,373,882	14,444,985	650	812,730	9,661	102,810	26,549,435

* Exclude allowance for ECL

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

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3.1. Credit Risk (continued)

Distribution of credit exposures (continued)

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

* Exclude allowance for ECL

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

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3.1. Credit Risk (continued)

Credit quality of gross loans, advances and financing

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

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

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

Stage 3: Impaired Credit Exposure (Lifetime ECL)

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

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

	2024	2023
	RM'000	RM'000
At amortised cost:		
Overdraft	2,293	2,063
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	3,471,584	3,477,449
- Factoring receivables	182,069	199,087
- Other term loans / Islamic term financing *	6,432,092	6,733,159
Trade bills discounted	68,666	14,984
Revolving credits / Revolving credit-I *	4,285,311	4,853,185
Trust receipt	2,970	-
Gross loans, advances and financing	<u>14,444,985</u>	<u>15,279,927</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(5,948)	(6,309)
- Lifetime ECL not credit impaired (Stage 2)	(32,064)	(53,063)
- Lifetime ECL credit impaired (Stage 3)	(53,585)	(51,065)
Net loans, advances and financing	<u><u>14,353,388</u></u>	<u><u>15,169,490</u></u>

* There was reclassification from "Revolving credits" to "Other term loans" during the year and corresponding comparatives to better reflect the Loans, advances and financing by type.

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3.1. Credit Risk (continued)

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

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

	Agriculture RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale and retail trade, and restaurants and hotel RM'000	Finance, insurance and business services RM'000	Transport, storage and communication RM'000	Real estate RM'000	Education, health and other services RM'000	Total RM'000
31 March 2024											
Loans, advances and financing	95	5,649	11,982	3,708	1,085	4,243	2,568	10,227	46,269	5,771	91,597
	95	5,649	11,982	3,708	1,085	4,243	2,568	10,227	46,269	5,771	91,597
31 March 2023											
Loans, advances and financing	72	7,087	18,991	4,021	672	8,395	5,607	12,796	47,871	4,925	110,437
	72	7,087	18,991	4,021	672	8,395	5,607	12,796	47,871	4,925	110,437

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3.1. Credit Risk (continued)

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

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

	Malaysia RM'000	Other countries RM'000	Total RM'000
31 March 2024			
Loans, advances and financing	36,893	54,704	91,597
31 March 2023			
Loans, advances and financing	52,559	57,878	110,437

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3.1. Credit Risk (continued)

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

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	6,309	53,063	51,065	110,437
Transfer to 12-month ECL (Stage 1)	17,467	(17,467)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,759)	1,759	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(2,309)	(12,341)	-	(14,650)
New loans, advances and financing originated or purchased	4,182	5,702	-	9,884
Changes due to change in credit risk	(17,942)	1,348	2,520	(14,074)
At 31 March 2024	5,948	32,064	53,585	91,597
At 1 April 2022	4,706	29,979	55,218	89,903
Transfer to 12-month ECL (Stage 1)	16,450	(16,450)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,553)	1,553	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(1,881)	(4,384)	(6,810)	(13,075)
New loans, advances and financing originated or purchased	1,897	2,941	2,305	7,143
Changes due to change in credit risk	(13,310)	39,424	352	26,466
At 31 March 2023	6,309	53,063	51,065	110,437

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach

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

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

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

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

Rated and Unrated Counterparties

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

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

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

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

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

Sovereigns and Central Banks

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

Banking Institutions

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

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

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

Corporate

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

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

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

31 March 2024 Risk Weights	Banks, Development Financial Sovereigns/ Institutions and Central Banks				Other Assets RM'000	Total Exposure after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	RM'000	MDBs RM'000	Corporates RM'000				
0%	6,440,022	-	7,790,632	-	-	14,230,654	-
20%	-	4,845,018	1,268,551	-	-	6,113,569	1,222,714
50%	-	1,441,927	-	-	-	1,441,927	720,963
100%	-	-	11,640,481	844,543	-	12,485,024	12,485,024
Total	6,440,022	6,286,945	20,699,664	844,543	-	34,271,174	14,428,701
Risk-weighted assets by exposure	-	1,689,967	11,894,191	844,543	-	14,428,701	
Average risk weight	0.0%	26.9%	57.5%	100.0%	-	42.1%	
Deduction from capital base	-	-	-	-	-	-	

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

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

31 March 2023 Risk Weights	Banks, Development Financial		Restated Corporates RM'000	Other Assets RM'000	Restated Total Exposure after Netting and Credit Risk Mitigation RM'000	Restated Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Institutions and MDBs RM'000				
0%	4,134,090	-	7,528,610	-	11,662,700	-
20%	-	4,530,819	955,212	-	5,486,031	1,097,206
50%	-	1,044,863	51,426	-	1,096,289	548,145
100%	-	-	12,693,130	601,062	13,294,192	13,294,192
Total	4,134,090	5,575,682	21,228,378	601,062	31,539,212	14,939,543
Risk-weighted assets by exposure	-	1,428,595	12,909,886	601,062	14,939,543	
Average risk weight	0.0%	25.6%	60.8%	100.0%	47.4%	
Deduction from capital base	-	-	-	-	-	

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3.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach (continued)

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

	Rating Categories					
	1 ^	2	3	4	5	Unrated *
31 March 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	6,440,022	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	4,845,018	1,441,927	-	-	-
Corporates	9,059,183	-	-	-	-	11,640,481
Other assets	-	-	-	-	-	844,543

	Rating Categories					
	1	2	3	4	5	Unrated #
31 March 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	4,134,090	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	4,530,819	1,044,863	-	-	-
Corporates	8,483,822	51,426	-	-	-	12,693,130
Other assets	-	-	-	-	-	601,062

^ Total cash collateral of RM7,790,632 thousand was rated at 0% risk under corporates.

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

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

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3.1. Credit Risk (continued)

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

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

31 March 2024 Description	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Negative fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Transaction related contingent item	477,057			235,217	235,217
Short-term self-liquidating trade related contingencies	472,994			93,836	93,836
Foreign exchange related contracts:					
- Less than one year	15,368,344	181,443	145,675	393,731	234,709
- One year to less than five years	12,630,186	592,574	521,667	1,742,328	1,044,440
- Five years and above	178,188	1,513	103	36,899	28,354
Interest/Profit rate related contracts					
- Less than one year	11,783	218	1	234	117
- One year to less than five years	1,258,023	31,277	29,688	56,494	34,007
- Five years and above	208,615	5,705	3,722	36,997	26,321
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	971,098			193,841	174,100
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	9,972,338			4,985,748	4,722,511
Total	41,548,626	812,730	700,856	7,775,325	6,593,612

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3.1. Credit Risk (continued)

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

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

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

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3.1. Credit Risk (continued)

Credit Risk Mitigation

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

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

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

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

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3.1. Credit Risk (continued)

Credit Risk Mitigation (continued)

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

31 March 2024	Exposures before CRM RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000	Exposures covered by Other Eligible Collateral RM'000
Credit Risk					
On-Balance Sheet Exposures					
Sovereigns / Central Banks	6,440,022	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	5,027,518	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	14,183,766	-	-	7,790,632	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	844,543	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	-	-	-	-	-
Total On-Balance Sheet Exposures	26,495,849	-	-	7,790,632	-
Off-Balance Sheet Exposures					
OTC Derivatives	2,266,684	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	5,508,641	-	-	-	-
Defaulted exposures	-	-	-	-	-
Total Off-Balance Sheet Exposures	7,775,325	-	-	-	-
Total On and Off-Balance Sheet Exposures	34,271,174	-	-	7,790,632	-

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3.1. Credit Risk (continued)

Credit Risk Mitigation (continued)

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

31 March 2023	Exposures before CRM RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Restated 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	4,134,090	-	-	-	-
Public Sector Entities	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	4,606,845	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-
Corporates	15,155,366	-	-	7,528,610	-
Regulatory Retail	-	-	-	-	-
Residential Mortgages	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-
Other Assets	601,062	-	-	-	-
Specialised Financing / Investment	-	-	-	-	-
Equity Exposure	-	-	-	-	-
Securitisation Exposure	-	-	-	-	-
Defaulted Exposure	-	-	-	-	-
Total On-Balance Sheet Exposures	24,497,363	-	-	7,528,610	-
Off-Balance Sheet Exposures					
OTC Derivatives	1,944,780	-	-	-	-
Credit Derivatives	-	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	5,097,069	-	-	-	-
Defaulted exposures	-	-	-	-	-
Total Off-Balance Sheet Exposures	7,041,849	-	-	-	-
Total On and Off-Balance Sheet Exposures	31,539,212	-	-	7,528,610	-

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3.1. Credit Risk (continued)

Counterparty Credit Risk (CCR)

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

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

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3.2. Liquidity Risk

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

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

3.3. Market Risk

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

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

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

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

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3.3. Market Risk (continued)

Interest rate risk management

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

Foreign exchange risk management

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

	Long position RM'000	Short position RM'000	Risk- weighted assets RM'000	Minimum capital requirements at 8% RM'000
31 March 2024				
Interest rate risk	27,093,035	27,000,460	307,487	24,599
Foreign exchange risk	1,318	(50,573)	50,573	4,046
	<u>27,094,353</u>	<u>26,949,887</u>	<u>358,060</u>	<u>28,645</u>
31 March 2023				
Interest rate risk	20,561,020	20,474,099	304,649	24,372
Foreign exchange risk	15,062	(115)	15,062	1,205
	<u>20,576,082</u>	<u>20,473,984</u>	<u>319,711</u>	<u>25,577</u>

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3.3.1 Interest Rate Risk in Banking Book

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

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

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

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

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

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3.3.1 Interest Rate Risk in Banking Book (continued)

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

Type of Currency	Impact on positions as at reporting period (200 basis points) Hike		Impact on positions as at reporting period (200 basis points) Hike	
	Increase/ (Decrease) in profit before taxation	Increase/ (Decrease) in equity	Increase/ (Decrease) in profit before taxation	Increase/ (Decrease) equity
	31 March 2024	31 March 2024	31 March 2023	31 March 2023
	RM'000	RM'000	RM'000	RM'000
JPY	953	724	988	751
USD	(18,897)	(14,362)	16,160	12,282
MYR	(41,046)	(31,195)	(7,415)	(5,635)

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3.4. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events. Operational risk is inherent in each of the Bank's business activities. It includes risks such as fraud, physical damage, business interruption, transaction failures, legal and regulatory breaches, shariah non-compliance and employee health and safety hazards. Operational risk may result in direct financial loss as well as indirect financial losses to the Bank.

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

The Calculation of Value Equivalent to Operational Risk-weighted Asset

The Bank currently uses Basic Indicator Approach ("BIA") to calculate its value equivalent to operational risk-weighted assets as at 31 March 2024.

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

31 March 2024	Risk-Weighted Assets	Minimum Capital
	RM'000	Requirements at 8%
		RM'000
Operational Risk	808,459	64,677

31 March 2023	Risk-Weighted Assets	Minimum Capital
	RM'000	Requirements at 8%
		RM'000
Operational Risk	716,237	57,299

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4. Capital Adequacy

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

	31 March 2024	Restated 31 March 2023
Core capital ratio	25.593%	23.422%
Risk-weighted capital ratio	26.749%	24.591%

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 2024, the minimum regulatory capital adequacy and capital buffer requirement is 10.50% (March 2023: 10.50%) for the risk-weighted capital ratio.

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4. Capital Adequacy (continued)

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

31 March 2024 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	6,440,022	6,440,022	-	-
Banks, Development Financial Institutions and MDBs	5,027,518	5,027,518	1,094,344	87,548
Corporates	14,183,766	14,183,766	5,896,202	471,696
Other assets	844,543	844,543	844,543	67,563
Total on-balance sheet exposures	<u>26,495,849</u>	<u>26,495,849</u>	<u>7,835,089</u>	<u>626,807</u>
<u>Off-balance sheet exposures:</u>				
Credit-related exposures	<u>7,775,325</u>	<u>7,775,325</u>	<u>6,593,612</u>	<u>527,489</u>
Total off-balance sheet exposures	<u>7,775,325</u>	<u>7,775,325</u>	<u>6,593,612</u>	<u>527,489</u>
Total on and off-balance sheet exposures	<u>34,271,174</u>	<u>34,271,174</u>	<u>14,428,701</u>	<u>1,154,296</u>
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	27,093,035	27,000,460	92,575	307,487
Foreign exchange risk	1,318	(50,573)	51,891	50,573
	<u>27,094,353</u>	<u>26,949,887</u>	<u>144,466</u>	<u>358,060</u>
(iv) Operational risk			<u>808,459</u>	<u>64,677</u>
Total risk-weighted assets and capital requirements			<u>15,595,220</u>	<u>1,247,618</u>

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4. Capital Adequacy (continued)

31 March 2023 Exposure class	Gross exposures RM'000	Net exposures RM'000	Restated Risk- weighted assets RM'000	Restated Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	4,134,090	4,134,090	-	-
Banks, Development Financial Institutions and MDBs	4,606,845	4,606,845	962,869	77,029
Corporates	15,155,366	15,155,366	7,268,189	581,454
Other assets	601,062	601,062	601,062	48,085
Total on-balance sheet exposures	<u>24,497,363</u>	<u>24,497,363</u>	<u>8,832,120</u>	<u>706,568</u>
<u>Off-balance sheet exposures:</u>				
Credit-related exposure	7,041,849	7,041,849	6,107,423	488,595
Total off-balance sheet exposures	<u>7,041,849</u>	<u>7,041,849</u>	<u>6,107,423</u>	<u>488,595</u>
Total on and off-balance sheet exposures	<u>31,539,212</u>	<u>31,539,212</u>	<u>14,939,543</u>	<u>1,195,163</u>
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Interest rate risk	20,561,020	20,474,099	86,921	304,649
Foreign exchange risk	15,062	(115)	15,177	1,205
	<u>20,576,082</u>	<u>20,473,984</u>	<u>102,098</u>	<u>25,577</u>
(iv) Operational risk			<u>716,237</u>	<u>57,299</u>
Total risk-weighted assets and capital requirements			<u>15,975,491</u>	<u>1,278,039</u>

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5. Capital Structure

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

	31 March 2024 RM'000	Restated 31 March 2023 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	1,537,885	1,288,107
Other reserves	157,652	145,967
	<u>4,148,142</u>	<u>3,886,679</u>
Less: Deferred tax assets	-	-
55% of fair value reserve	(949)	(1,318)
Regulatory reserve	(155,926)	(143,570)
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<u>3,991,267</u>	<u>3,741,791</u>
<u>Tier 2 capital</u>		
Expected credit losses (Stage 1 and Stage 2)	46,494	71,596
Regulatory reserve *	133,865	115,148
Total Tier 2 capital	<u>180,359</u>	<u>186,744</u>
Total capital base	<u><u>4,171,626</u></u>	<u><u>3,928,535</u></u>

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

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6. The operations of Islamic Banking Window

6.1. Credit Risk (continued)

Distribution of credit exposures by Islamic Banking Window

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

	Cash and short-term funds*	Deposits and placements with banks and other financial institutions*	Financial investments FVOCI	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on-balance sheet exposures	Total off-balance sheet exposures	Total exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2024											
Finance, insurance and business services	50,900	-	-	-	-	-	-	1	50,901	-	50,901
	50,900	-	-	-	-	-	-	1	50,901	-	50,901
Allowance for ECL	-	-	-	-	-	-	-	-	-	-	-
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-
	50,900	-	-	-	-	-	-	1	50,901	-	50,901
31 March 2023											
Finance, insurance and business services	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Allowance for ECL	-	-	-	-	-	-	-	-	-	-	-
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-

* Exclude allowance for ECL

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6. The operations of Islamic Banking Window

6.1. Credit Risk (continued)

Distribution of credit exposures by Islamic Banking Window (continued)

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

	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on-balance sheet exposures RM'000	Total off-balance sheet exposures RM'000	Total exposures RM'000
31 March 2024											
Malaysia	50,900	-	-	-	-	-	-	1	50,901	-	50,901
	<u>50,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>50,901</u>	<u>-</u>	<u>50,901</u>
31 March 2023											
Malaysia	-	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Exclude allowance for ECL

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6. The operations of Islamic Banking Window

6.1. Credit Risk (continued)

Distribution of credit exposures by Islamic Banking Window (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 100% of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

	Deposits and placements with banks	Financial investments FVOCI	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on- balance sheet exposures
	Cash and short-term funds*	and other financial institutions*	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Up to 1 month	50,900	-	-	-	-	-	-	50,900
> 1-3 months	-	-	-	-	-	-	-	-
> 3-12 months	-	-	-	-	-	-	1	1
	50,900	-	-	-	-	-	1	50,901

* Exclude allowance for ECL

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

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6.1. Credit Risk (continued)

Distribution of credit exposures by Islamic Banking Window (continued)

Distribution of credit exposures by Islamic Banking Window (continued)

	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on- balance sheet exposures RM'000
31 March 2023									
Up to 1 month	-	-	-	-	-	-	-	-	-
> 1-3 months	-	-	-	-	-	-	-	-	-
> 3-12 months	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

* Exclude allowance for ECL

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

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6. The operations of Islamic Banking Window

6.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach by Islamic Banking Window (continued)

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

	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions and MDBs	Corporates	Other Assets	Total Exposure after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
31 March 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk Weights							
0%	50,900	-	-	-	-	50,900	-
100%	-	-	-	-	1	1	1
Total	50,900	-	-	-	1	50,901	1
Risk-weighted assets by exposure	-	-	-	-	1	1	
Average risk weight	0.0%	-	-	-	100.0%	0.0%	
Deduction from capital base	-	-	-	-	-	-	

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6.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach by Islamic Banking Window (continued)

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

	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions and MDBs	Corporates	Other Assets	Total Exposure after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2023							
Risk Weights							
0%	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Risk-weighted assets by exposure	-	-	-	-	-	-	-
Average risk weight	-	-	-	-	-	-	-
Deduction from capital base	-	-	-	-	-	-	-

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6.1. Credit Risk (continued)

Disclosure for portfolio under Standardised Approach by Islamic Banking Window (continued)

(b) The following table presents the on and off balance sheet credit exposures, categorised according to the credit quality rating:

	Rating Categories					
	1 ^	2	3	4	5	Unrated *
31 March 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	50,900	-	-	-	-	-
Other assets	-	-	-	-	-	1

	Rating Categories					
	1	2	3	4	5	Unrated #
31 March 2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Sovereign and Central Bank	-	-	-	-	-	-
Other assets	-	-	-	-	-	-

^ Total cash collateral of nil was rated at 0% risk under corporates.

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

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

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6.2. Operational Risk

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

		Minimum Capital Requirements at 8% RM'000
31 March 2024	Risk-Weighted Assets RM'000	
Operational Risk	2	-
31 March 2023	Risk-Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
Operational Risk	-	-

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6.3. Capital Adequacy

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

	31 March 2024	31 March 2023
Core capital ratio	955000.000%	0.000%
Risk-weighted capital ratio	955000.000%	0.000%

The capital adequacy ratios consist of capital base and risk-weighted assets derived from balances of the Bank. As at 31 March 2024, the minimum regulatory capital adequacy and capital buffer requirement is 8.0% (March 2023: 8.0%) for the risk-weighted capital ratio.

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6.3. Capital Adequacy (continued)

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

31 March 2024 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	50,900	50,900	-	-
Other assets	1	1	1	-
Total on-balance sheet exposures	50,901	50,901	1	-
<u>Off-balance sheet exposures:</u>				
Credit-related exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	50,901	50,901	1	-
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Profit rate risk	-	-	-	-
Foreign exchange risk	-	-	-	-
	-	-	-	-
(iv) Operational risk			2	-
Total risk-weighted assets and capital requirements			3	-

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6. Capital Adequacy (continued)

31 March 2023 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk- weighted assets RM'000	Capital requirements RM'000
(i) Credit risk				
<u>On-balance sheet exposures:</u>				
Sovereigns / Central Banks	-	-	-	-
Other assets	-	-	-	-
Total on-balance sheet exposures	-	-	-	-
<u>Off-balance sheet exposures:</u>				
Credit-related exposure	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	-	-	-	-
(ii) Large exposure risk requirement				
	-	-	-	-
(iii) Market risk				
	Long position RM'000	Short position RM'000		
Profit rate risk	-	-	-	-
Foreign exchange risk	-	-	-	-
	-	-	-	-
(iv) Operational risk				
			-	-
Total risk-weighted assets and capital requirements			-	-

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6. The operations of Islamic Banking Window

6.4. Capital Structure

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

	31 March 2024 RM'000	31 March 2023 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	30,000	-
Retained earnings	(1,350)	-
	<hr/> 28,650	<hr/> -
Less: Deferred tax assets	-	-
55% of fair value reserve	-	-
Regulatory reserve	-	-
Total Common Equity Tier 1 (CET 1) and Tier 1 capital	<hr/> 28,650	<hr/> -
<u>Tier 2 capital</u>		
Expected credit losses (Stage 1 and Stage 2)	-	-
Regulatory reserve	-	-
Total Tier 2 capital	<hr/> -	<hr/> -
Total capital base	<hr/> <hr/> 28,650	<hr/> <hr/> -

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6. The operations of Islamic Banking Window

6.5. Profit Sharing Investment Account

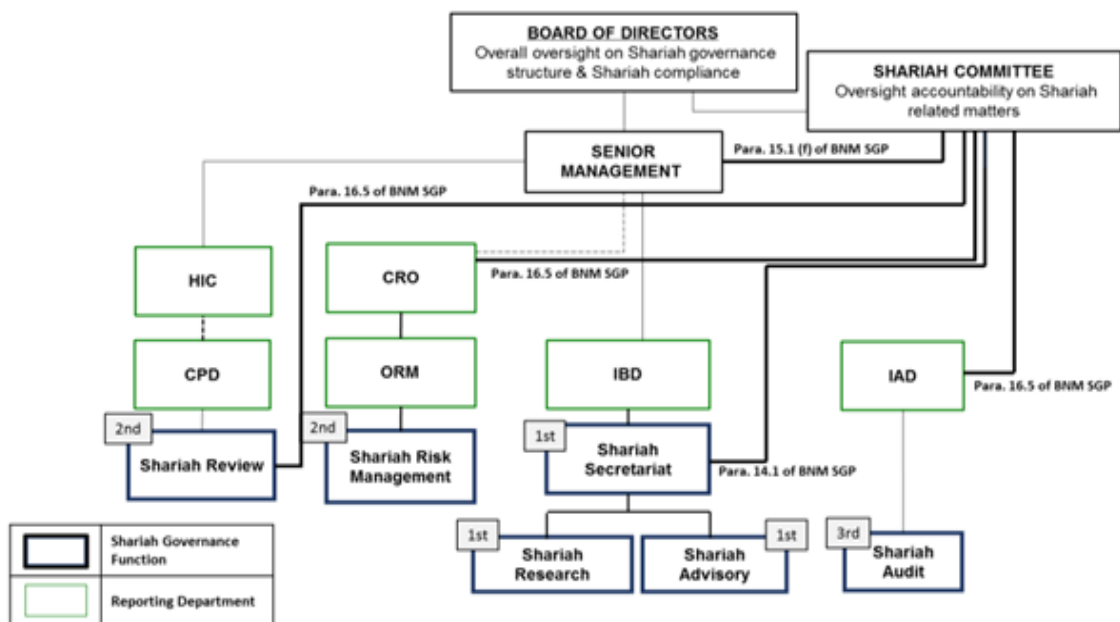
The disclosure is not applicable as the Islamic Banking business does not have any Profit Sharing Investment Account.

6.6. Shariah Governance

The Board is ultimately responsible for the oversight over the functioning of the Bank's overall Shariah Governance structure and Shariah compliance. Additionally, the Board promotes Shariah compliance in accordance with the expectations set out in the Bank's Shariah governance policies and ensure its integration with the Bank's business and risk strategies.

The Shariah Governance structure adopted by the Bank is illustrated as follows:

SMBCMY's Shariah Governance Structure



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6. The operations of Islamic Banking Window

6.6. Shariah Governance (continued)

The Shariah Committee ("ShC") is supported on a functional basis by the Shariah Secretariat and the Shariah control functions namely Shariah Review, Shariah Risk Management and Shariah Audit.

The main duties and responsibilities of the Shariah Secretariat are to provide a secretariat function to the ShC, conducting research on Shariah issues and providing day-to-day Shariah advice to the Bank's internal parties based on the rulings of the BNM Shariah Advisory Council (SAC) and the decisions or advice of the ShC.

Meanwhile, the Shariah Review function conducts regular assessments on the compliance of the Bank's operations, business, affairs and activities with Shariah requirements.

Shariah Risk Management systematically assess, measures, monitors, and reports Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

Finally, Shariah Audit provides an independent assessment of the adequacy and effectiveness of the Bank's internal control, risk management systems, and governance processes. The Shariah Audit scope covers the overall compliance of the Bank's operations, business, affairs and activities with Shariah.

In addition to the above, the Management is responsible for providing adequate resources across every function involved in Shariah governance implementation to ensure end-to-end compliance with Shariah principles. The Management expects the various functions to be responsible for and to manage the implementation of any or all rulings of the SAC and they are complying with the said policy.

6.7. Shariah Non-Compliance Event

No actual Shariah non-compliance event had been detected for the financial year ended 31 March 2024. As such, no Shariah non-compliant income had been recorded for the year.

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CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Sumitomo Mitsui Banking Corporation Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 March 2024 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

[Signed]

Atsuhide Shiojiri
Chief Executive Officer

Date: 28 June 2024