

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED PILLAR 3 DISCLOSURE**

**30 SEPTEMBER 2019**

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

## UNAUDITED PILLAR 3 DISCLOSURE 30 SEPTEMBER 2019

### 1. OVERVIEW

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

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

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

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

### 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.

### 4. CAPITAL ADEQUACY

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

	<b>30 September 2019</b>	<b>31 March 2019</b>
Core capital ratio	22.395%	22.463%
Risk-weighted capital ratio	23.616%	23.692%

The capital adequacy ratios consist of capital base and risk-weighted assets derived from balances of the Bank. Beginning 1 January 2016, the minimum regulatory capital adequacy requirement has been increased to include capital requirement for capital conservation buffer and countercyclical capital buffer. As at 30 September 2019, the minimum regulatory capital adequacy and capital buffer requirement is 10.51% (March 2019: 10.51%) for the risk-weighted capital ratio.

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### 4. CAPITAL ADEQUACY (CONTINUED)

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

30 September 2019					
Exposure class	Gross exposures	Net exposures	Risk-weighted assets	Capital requirements	
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit risk</b>					
<u>On-balance sheet exposures:</u>					
Sovereigns / Central banks	2,986,107	2,986,107	-	-	
Banks, Development Financial Institutions and MDBs	3,113,721	3,113,721	637,951	51,036	
Corporates	13,965,483	13,965,483	7,039,472	563,158	
Other assets	421,799	421,799	421,305	33,704	
Total on-balance sheet exposures	20,487,110	20,487,110	8,098,728	647,898	
<u>Off-balance sheet exposures:</u>					
Credit-related exposure	5,423,726	5,423,726	4,680,165	374,413	
Total off-balance sheet exposures	5,423,726	5,423,726	4,680,165	374,413	
Total on and off-balance sheet exposures	25,910,836	25,910,836	12,778,893	1,022,311	
<b>(ii) Large exposure risk requirement</b>					
	-	-	-	-	
<b>(iii) Market risk</b>					
	<b>Long position</b>	<b>Short position</b>			
Interest rate risk	22,461,864	22,385,519	76,345	350,062	28,005
Foreign exchange risk	18,065	-	18,065	18,065	1,445
	22,479,929	22,385,519	94,410	368,127	29,450
<b>(iv) Operational risk</b>					
			595,215	47,617	
<b>Total RWA and Capital Requirements</b>			13,742,235	1,099,378	

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**4. CAPITAL ADEQUACY (CONTINUED)**

**31 March 2019**

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

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### 5. CAPITAL STRUCTURE

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

	<b>30 September 2019 RM'000</b>	<b>31 March 2019 RM'000</b>
<b><u>Tier-I capital</u></b>		
Paid-up ordinary share capital	2,452,605	2,452,605
Accumulated profit	623,971	514,958
Fair value reserve	1,031	1,292
	<u>3,077,607</u>	<u>2,968,855</u>
Less: Deferred tax assets	-	-
Total Tier-I capital	<u>3,077,607</u>	<u>2,968,855</u>
<b><u>Tier-II capital</u></b>		
Expected credit losses	51,449	50,929
Regulatory reserve	116,329	111,598
Total Tier-II capital	<u>167,778</u>	<u>162,527</u>
Total capital base	<u>3,245,385</u>	<u>3,131,382</u>

### 6. CREDIT RISK

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

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

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

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 and directors of customers are obtained, and credit evaluations are required to be performed on customers requiring credit.

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### **6. CREDIT RISK (CONTINUED)**

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

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### 6. CREDIT RISK (CONTINUED)

#### General Disclosures

(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
30 September 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	50,007	-	-	-	-	50,007	724,299	774,306
Mining	-	-	-	192,213	-	-	-	-	192,213	-	192,213
Manufacturing	-	-	-	3,164,801	-	35,012	-	-	3,199,813	5,575,994	8,775,807
Electricity	-	-	-	1,050,144	-	-	-	-	1,050,144	382,686	1,432,830
Construction	-	-	-	130,026	-	1,216	-	-	131,242	879,183	1,010,425
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,759,293	-	8,812	-	-	1,768,105	1,895,118	3,663,223
Finance, insurance and business services	4,426,774	704,545	713,479	5,733,032	48,348	339,306	14,342	46,676	12,026,502	20,248,632	32,275,134
Transport, storage and communication	-	-	-	452,919	-	24	-	-	452,943	42,784	495,727
Real estate	-	-	-	1,218,981	-	7,227	-	-	1,226,208	402,259	1,628,467
Education, health and others	-	-	-	389,933	-	-	-	-	389,933	1,738,042	2,127,975
	4,426,774	704,545	713,479	14,141,349	48,348	391,597	14,342	46,676	20,487,110	31,888,997	52,376,107
Allowance for ECL	(1,681)	(110)	-	(46,856)	-	-	-	(4)	(48,651)	-	(48,651)
Other assets not subject to credit risk	-	-	-	-	-	-	-	52,557	52,557	-	52,557
	4,425,093	704,435	713,479	14,094,493	48,348	391,597	14,342	99,229	20,491,016	31,888,997	52,380,013

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



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### 6. CREDIT RISK (CONTINUED)

#### General Disclosures (continued)

	Cash and short-term funds*	Deposits and placements with banks and other financial institutions*	Financial investments FVOCI	Loans, advances and financing*	Statutory deposits with BNM	Derivative financial assets	Plant and equipment	Other assets*	Total on- balance sheet exposures	Total off- balance sheet exposures	Total exposures
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	50,020	-	107	-	-	50,127	709,175	759,302
Mining	-	-	-	40,830	-	-	-	-	40,830	-	40,830
Manufacturing	-	-	-	3,346,611	-	7,531	-	-	3,354,142	5,216,658	8,570,800
Electricity	-	-	-	1,023,658	-	-	-	-	1,023,658	90,803	1,114,461
Construction	-	-	-	113,261	-	3,032	-	-	116,293	859,371	975,664
Wholesale and retail trade, and restaurants and hotel	-	-	-	1,319,424	-	5,142	-	-	1,324,566	2,178,413	3,502,979
Finance, insurance and business services	4,378,459	763,179	733,457	5,591,546	50,680	339,227	15,822	72,497	11,944,867	18,976,014	30,920,881
Transport, storage and communication	-	-	-	520,787	-	12	-	-	520,799	33,102	553,901
Real estate	-	-	-	1,042,597	-	-	-	-	1,042,597	397,728	1,440,325
Education, health and others	-	-	-	4,922	-	-	-	-	4,922	1,880,970	1,885,892
	<u>4,378,459</u>	<u>763,179</u>	<u>733,457</u>	<u>13,053,656</u>	<u>50,680</u>	<u>355,051</u>	<u>15,822</u>	<u>72,497</u>	<u>19,422,801</u>	<u>30,342,234</u>	<u>49,765,035</u>
Allowance for ECL	(701)	(555)	-	(33,262)	-	-	-	(18)	(34,536)	-	(34,536)
Other assets not subject to credit risk	-	-	-	-	-	-	-	37,919	37,919	-	37,919
	<u>4,377,758</u>	<u>762,624</u>	<u>733,457</u>	<u>13,020,394</u>	<u>50,680</u>	<u>355,051</u>	<u>15,822</u>	<u>110,398</u>	<u>19,426,184</u>	<u>30,342,234</u>	<u>49,768,418</u>

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

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**6. CREDIT RISK (CONTINUED)**

**General Disclosures (continued)**

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

	Cash and short-term funds* RM'000	Deposits and placements with banks and other financial institutions* RM'000	Financial investments FVOCI RM'000	Loans, advances and financing* RM'000	Statutory deposits with BNM RM'000	Derivative financial assets RM'000	Plant and equipment RM'000	Other assets* RM'000	Total on- balance sheet exposures RM'000	Total off- balance sheet exposures RM'000	Total exposures RM'000
<b>30 September 2019</b>											
Malaysia	4,351,924	704,545	713,479	11,531,465	48,348	374,791	14,342	46,676	17,785,570	28,129,422	45,914,992
Other countries	74,850	-	-	2,609,884	-	16,806	-	-	2,701,540	3,759,575	6,461,115
	<u>4,426,774</u>	<u>704,545</u>	<u>713,479</u>	<u>14,141,349</u>	<u>48,348</u>	<u>391,597</u>	<u>14,342</u>	<u>46,676</u>	<u>20,487,110</u>	<u>31,888,997</u>	<u>52,376,107</u>
<b>31 March 2019</b>											
Malaysia	4,247,439	763,179	733,457	11,089,512	50,680	343,137	15,822	72,497	17,315,723	26,363,318	43,679,041
Other countries	131,020	-	-	1,964,144	-	11,914	-	-	2,107,078	3,978,916	6,085,994
	<u>4,378,459</u>	<u>763,179</u>	<u>733,457</u>	<u>13,053,656</u>	<u>50,680</u>	<u>355,051</u>	<u>15,822</u>	<u>72,497</u>	<u>19,422,801</u>	<u>30,342,234</u>	<u>49,765,035</u>

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

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**6. CREDIT RISK (CONTINUED)**

**General Disclosures (continued)**

(c) The following table presents the residual contractual maturity breakdown by major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 55.07% of the Bank's exposures to customers are short-term, having contractual maturity of one year or less:

	<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 FVOCI 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>30 September 2019</b>									
Up to 1 month	4,426,774	-	-	1,814,454	48,348	3,209	-	41,007	6,333,792
> 1-3 months	-	650,000	-	1,508,754	-	6,574	-	-	2,165,328
> 3-12 months	-	54,545	713,479	1,922,057	-	87,073	-	5,669	2,782,823
> 1-5 years	-	-	-	7,986,181	-	174,782	14,342	-	8,175,305
> 5 years	-	-	-	909,903	-	119,959	-	-	1,029,862
	<b>4,426,774</b>	<b>704,545</b>	<b>713,479</b>	<b>14,141,349</b>	<b>48,348</b>	<b>391,597</b>	<b>14,342</b>	<b>46,676</b>	<b>20,487,110</b>

\* Exclude allowance for expected credit losses ("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. CREDIT RISK (CONTINUED)**

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

\* Exclude allowance for expected credit losses ("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. CREDIT RISK (CONTINUED)**

**General Disclosures (continued)**

(d) The following table presents the expected credit losses ("ECL") 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 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 others RM'000	Total RM'000
<b>30 September 2019</b>											
Loans, advances and financing	101	202	7,336	202	194	11,229	24,706	931	315	1,640	46,856
	101	202	7,336	202	194	11,229	24,706	931	315	1,640	46,856
<b>31 March 2019</b>											
Loans, advances and financing	210	318	11,957	-	159	2,194	16,995	545	7	877	33,262
	210	318	11,957	-	159	2,194	16,995	545	7	877	33,262

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**6. CREDIT RISK (CONTINUED)**

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

	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>30 September 2019</b>			
Loans, advances and financing	25,337	21,519	46,856
<hr/>			
	<b>Malaysia RM'000</b>	<b>Other countries RM'000</b>	<b>Total RM'000</b>
<b>31 March 2019</b>			
Loans, advances and financing	19,578	13,684	33,262
<hr/>			

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

	<b>12-month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL non-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>At 1 April 2019</b>	14,026	19,236	-	33,262
Changes due to loans, advances and financing recognised as at 1 April 2019:				
Transfer to 12-month ECL (Stage 1)	13,845	(13,845)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(3,080)	3,080	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	(7)	-	7	-
Less: Loans, advances and financing derecognised	(2,240)	(1,784)	-	(4,024)
New loans, advances and financing originated or purchased	2,730	-	-	2,730
Changes due to change in credit risk	(8,434)	20,301	3,021	14,888
<b>At 30 September 2019</b>	<b>16,840</b>	<b>26,988</b>	<b>3,028</b>	<b>46,856</b>

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30 SEPTEMBER 2019****6. CREDIT RISK (CONTINUED)**

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

	<b>12-month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL non-credit impaired (Stage 2) RM'000</b>	<b>Lifetime ECL credit impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>At 1 April 2018</b>	9,412	25,150	-	34,562
Changes due to loans, advances and financing recognised as at 1 April 2019:				
Transfer to 12-month ECL (Stage 1)	8,875	(8,875)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,996)	1,996	-	-
Less: Loans, advances and financing derecognised	(2,148)	(2,823)	-	(4,971)
New loans, advances and financing originated or purchased	4,094	5,818	-	9,912
Changes due to change in credit risk	(4,211)	(2,030)	-	(6,241)
<b>At 31 March 2019</b>	<b>14,026</b>	<b>19,236</b>	<b>-</b>	<b>33,262</b>

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

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### 6. 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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### 6. 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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### 6. 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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**6. 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:

	<b>Sovereigns/ Central Banks</b>	<b>Banks, Development Financial Institutions and MDBs</b>	<b>Corporates</b>	<b>Other Assets</b>	<b>Total Exposure after Netting and Credit Risk Mitigation</b>	<b>Total Risk-Weighted Assets</b>
<b>30 September 2019</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>
Risk Weights						
0%	2,986,107	-	6,486,259	494	9,472,860	-
20%	-	3,182,889	756,483	-	3,939,372	787,874
50%	-	946,067	69,105	-	1,015,172	507,586
100%	-	-	11,062,128	421,305	11,483,433	11,483,433
<b>Total</b>	<b>2,986,107</b>	<b>4,128,956</b>	<b>18,373,975</b>	<b>421,799</b>	<b>25,910,837</b>	<b>12,778,893</b>
Risk-weighted assets by exposure	-	1,109,611	11,247,977	421,305	12,778,893	
Average risk weight	0.0%	26.9%	61.2%	99.9%	49.3%	
Deduction from capital base	-	-	-	-	-	

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**6. 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):

	<b>Sovereigns/ Central Banks</b>	<b>Banks, Development Financial Institutions and MDBs</b>	<b>Corporates</b>	<b>Other Assets</b>	<b>Total Exposure after Netting and Credit Risk Mitigation</b>	<b>Total Risk-Weighted Assets</b>
<b>31 March 2019</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>
Risk Weights						
0%	3,334,923	-	5,594,478	290	8,929,691	-
20%	-	2,733,383	664,607	-	3,397,990	679,598
50%	-	1,170,189	19,991	-	1,190,180	595,090
100%	-	-	10,700,112	373,628	11,073,740	11,073,740
<b>Total</b>	<b>3,334,923</b>	<b>3,903,572</b>	<b>16,979,188</b>	<b>373,918</b>	<b>24,591,601</b>	<b>12,348,428</b>
Risk-weighted assets by exposure	-	1,131,771	10,843,029	373,628	12,348,428	
Average risk weight	0.0%	29.0%	63.9%	99.9%	50.2%	
Deduction from capital base	-	-	-	-	-	

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#### 6. 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 *
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 September 2019</b>						
Sovereign and Central Bank	2,986,107	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	3,182,889	946,067	-	-	-
Corporates	7,242,742	69,105	-	-	-	11,062,128
Other assets	-	-	-	-	-	421,799

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

^ Total cash collateral of RM6,486,259 thousand was rated at 0% risk under corporates.

\* Total cash of other assets at RM494 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

# Total cash of other assets at RM290 thousand was rated at 0% risk. The remaining balance was classified under 100% risk.

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**6. 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:

<b>30 September 2019 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 item	429,990		213,951	203,982
Short-term self-liquidating trade related contingencies	152,874		30,245	30,245
Foreign exchange related contracts:				
- Less than one year	11,564,854	-	299,189	132,707
- One year to less than five years	8,883,628	-	936,910	617,046
- Five years and above	2,020,915	-	456,467	291,814
Interest/Profit rate related contracts				
- Less than one year	364,827		3,570	2,952
- One year to less than five years	1,400,849		45,806	32,565
- Five years and above	26,743		1,472	736
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,760,855		3,379,424	3,311,426
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	283,462		56,692	56,692
<b>Total</b>	<b>31,888,997</b>	<b>-</b>	<b>5,423,726</b>	<b>4,680,165</b>

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**6. 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):

<b>31 March 2019</b> <b>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 item	604,552		301,201	291,341
Short-term self-liquidating trade related contingencies	269,421		53,543	53,543
Foreign exchange related contracts:				
- Less than one year	11,071,830	-	316,413	139,511
- One year to less than five years	9,039,740	-	981,581	610,310
- Five years and above	920,972	-	258,767	136,257
Interest/Profit rate related contracts				
- Less than one year	63,500		1,646	810
- One year to less than five years	1,627,718		46,022	29,102
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,251,089		3,110,944	2,972,118
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	493,412		98,683	98,683
<b>Total</b>	<b>30,342,234</b>	<b>-</b>	<b>5,168,800</b>	<b>4,331,675</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:

<b>30 September 2019 Group and Bank Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by Guarantees/ Credit Derivatives RM'000</b>	<b>Exposures covered by Eligible Financial Collateral RM'000</b>	<b>Exposures covered by Other Eligible Collateral RM'000</b>
<b>Credit Risk</b>				
<b><u>On-Balance Sheet Exposures</u></b>				
Sovereigns / Central Banks	2,986,107	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	3,113,721	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	13,965,483	-	6,486,259	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	421,799	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposure	-	-	-	-
Defaulted Exposure	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>20,487,110</b>	<b>-</b>	<b>6,486,259</b>	<b>-</b>
<b><u>Off-Balance Sheet Exposures</u></b>				
OTC Derivatives	1,743,413	-	-	-
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	3,680,313	-	-	-
Defaulted exposures	-	-	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>5,423,726</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>25,910,836</b>	<b>-</b>	<b>6,486,259</b>	<b>-</b>



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**6. 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):

<b>31 March 2019 Group and Bank</b>		<b>Exposures covered by Guarantees/ Credit Derivatives</b>	<b>Exposures covered by Eligible Financial Collateral</b>	<b>Exposures covered by Other Eligible Collateral</b>
<b>Exposure Class</b>	<b>Exposures before CRM RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Credit Risk</b>				
<b><u>On-Balance Sheet Exposures</u></b>				
Sovereigns / Central Banks	3,334,923	-	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,926,368	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates	12,787,592	-	5,594,478	-
Regulatory Retail	-	-	-	-
Residential Mortgages	-	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	373,918	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	-	-	-	-
Securitisation Exposure	-	-	-	-
Defaulted Exposure	-	-	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>19,422,801</b>	<b>-</b>	<b>5,594,478</b>	<b>-</b>
<b><u>Off-Balance Sheet Exposures</u></b>				
OTC Derivatives	1,604,429	-	-	-
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	3,564,371	-	-	-
Defaulted exposures	-	-	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>5,168,800</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>24,591,601</b>	<b>-</b>	<b>5,594,478</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 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.

#### Foreign exchange risk management

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

	Long position RM'000	Short position RM'000	Risk- weighted assets RM'000	Minimum capital requirements at 8% RM'000
<b>30 September 2019</b>				
Interest rate risk	22,461,864	22,385,519	350,062	28,005
Foreign exchange risk	18,065	-	18,065	1,445
	<u>22,479,929</u>	<u>22,385,519</u>	<u>368,127</u>	<u>29,450</u>

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### 7. MARKET RISK (CONTINUED)

#### Foreign exchange risk management (continued)

	<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>
<b>31 March 2019</b>				
Interest rate risk	20,259,492	20,205,436	314,734	25,179
Foreign exchange risk	21,326	(39)	21,326	1,706
	<u>20,280,818</u>	<u>20,205,397</u>	<u>336,060</u>	<u>26,885</u>

### 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.

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.

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### **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 ALCO, which meets on a monthly basis. The committee is responsible to study 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.

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:

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	<b>Impact on positions as at reporting period (200 basis points) Hike</b>		<b>Impact on positions as at reporting period (200 basis points) Hike</b>	
	<b>Increase/ (Decrease) in profit before taxation</b>	<b>Increase/ (Decrease) in equity</b>	<b>Increase/ (Decrease) in profit before taxation</b>	<b>Increase/ (Decrease) in equity</b>
	<b>30 September 2019 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 March 2019 RM'000</b>	<b>31 March 2019 RM'000</b>
JPY	(343)	(261)	(158)	(120)
USD	307	233	(727)	(553)
MYR	(9,146)	(6,951)	(4,194)	(3,187)

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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 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 asset as at 30 September 2019.

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

<b>30 September 2019</b>	<b>Risk-Weighted Assets</b>	<b>Minimum Capital Requirements at 8%</b>
	<b>RM'000</b>	<b>RM'000</b>
Operational Risk	595,215	47,617

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

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED PILLAR 3 DISCLOSURE**

**30 SEPTEMBER 2019**

**CHIEF EXECUTIVE OFFICER ATTESTATION**

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Sumitomo Mitsui Banking Corporation Malaysia Berhad's Pillar 3 Disclosure report for the financial period ended 30 September 2019 are consistent with the manner the Bank assesses and manages its risk, accurate, complete and not misleading in any particular way.

Tetsuya Kainaka  
Chief Executive Officer

Date: 25 October 2019