SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2018

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	30 June 2018 RM'000	31 March 2018 RM'000
Assets			
Cash and short-term funds	13	3,724,243	3,616,844
Deposits and placements with banks and other financial institutions	14	1,232,277	639,783
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	600,972	-
Investment securities available-for-sale	16	-	550,770
Loans, advances and financing	17	12,523,566	11,496,753
Derivative financial assets		537,251	554,223
Other assets	18	134,560	195,759
Statutory deposits with Bank Negara Malaysia		41,790	40,700
Plant and equipment		16,673	13,936
Tax recoverable		-	627
Total assets		18,811,332	17,109,395
Liabilities			
Deposits from customers	19	12,258,575	11,151,646
Deposits and placements of banks and other financial institutions	20	2,731,247	2,327,691
Bills and acceptances payable		880	9,589
Derivative financial liabilities		536,457	538,844
Other liabilities	21	313,731	197,901
Tax payable		4,873	-
Deferred tax liabilities		29,516	26,531
Total liabilities		15,875,279	14,252,202
Equity			
Share capital		2,452,605	2,452,605
Reserves		483,448	404,588
Total equity attributable to owners of the Bank		2,936,053	2,857,193
Total liabilities and equity		18,811,332	17,109,395
Commitments and contingencies	33	27,271,759	26,928,827

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

		1st Quarter Ended		**Three Months Ended**	
	Note	**30 June 2018 RM'000**	**30 June 2017 RM'000**	**30 June 2018 RM'000**	**30 June 2017 RM'000**
Interest income	22	146,966	108,796	146,966	108,796
Interest expense	23	(88,387)	(61,708)	(88,387)	(61,708)
Net interest income		58,579	47,088	58,579	47,088
Other operating income	24	26,789	15,320	26,789	15,320
Net operating income		85,368	62,408	85,368	62,408
Other operating expenses	25	(29,060)	(26,276)	(29,060)	(26,276)
Operating profit		56,308	36,132	56,308	36,132
Allowance for expected credit losses	26	7,071	-	7,071	-
Allowance for impairment on loans, advances and financing	27	-	(808)	-	(808)
Profit before taxation		63,379	35,324	63,379	35,324
Tax expense		(15,605)	(8,809)	(15,605)	(8,809)
Profit after taxation		47,774	26,515	47,774	26,515
Other comprehensive income for the period, net of income tax					
Fair value changes of debt instruments in FVOCI		1,197	-	1,197	-
Fair value changes of investment securities available-for-sale		-	430	-	430
Total comprehensive income for the period		48,972	26,945	48,972	26,945
Basic earnings per ordinary share (sen)		1.97	1.68	1.97	1.68

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Non-distributable reserves					*Distributable reserves*	
	Share Capital RM'000	**Statutory reserve RM'000**	**Regulatory reserve RM'000**	**Available-for-sale reserve RM'000**	**FVOCI reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
Balance as at 31 March 2018	2,452,605	-	75,142	814	-	328,632	2,857,193
Effect of adopting MFRS 9 Financial instruments	-	-	47,399	(814)	960	(17,656)	29,889
At 1 April 2018	2,452,605	-	122,541	-	960	310,976	2,887,082
Profit for the period	-	-	-	-	-	47,774	47,774
Fair value changes of available-for-sale financial assets	-	-	-	-	1,197	-	1,197
Total comprehensive income for the period	-	-	-	-	1,197	47,774	48,971
Transfer to regulatory reserve	-	-	15,513	-	-	(15,513)	-
At 30 June 2018	2,452,605	-	138,054	-	2,157	343,237	2,936,053
At 1 April 2017	1,575,000	126,963	55,349	1,590	-	67,150	1,826,052
Loss for the period	-	-	-	-	-	26,515	26,515
Fair value changes of available-for-sale financial assets	-	-	-	431	-	-	431
Total comprehensive income for the period	-	-	-	431	-	26,515	26,946
Transfer to regulatory reserve	-	-	14,897	-	-	(14,897)	-
At 30 June 2017	1,575,000	126,963	70,246	2,021	-	78,768	1,852,998

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	30 June 2018 RM'000	30 June 2017 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	63,379	35,324
Adjustments for non-cash items	34,292	1,976
Operating profit before working capital changes	97,671	37,300
Changes in working capital:		
Net changes in operating assets	(1,537,543)	(545,933)
Net changes in operating liabilities	1,617,606	(1,300,994)
Net cash used in from operating activities	177,734	(1,809,627)
Tax paid	(16,878)	(7,895)
Net cash used in from operating activities	160,855	(1,817,522)
Net cash used in investing activities	(53,457)	28,696
Net cash generated from financing activities	-	-
Net decrease in cash and cash equivalents during the financial period	107,399	(1,788,826)
Cash and cash equivalents at beginning of the financial period	3,616,844	4,704,896
Cash and cash equivalents at end of the financial period	3,724,243	2,916,070
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	78,709	74,162
Money at call and deposit placements maturing within one month	3,645,850	2,841,908
	3,724,243	2,916,070

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

1. Basis of Preparation

The unaudited condensed interim financial statements for the first quarter and three months ended 30 June 2018 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank as at and for the financial year ended 31 March 2018. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 March 2018.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 March 2018, except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations that have been issued by the MASB:-

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The accounting policy and the impact of MFRS are disclosed under Note 2 and 4.

1. Basis of Preparation (Continued)

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB"). However, its effective dates applicable to the Bank are as follows:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Accounting policy changes

Following the Bank's adoption of MFRS 9 on 1 April 2018, the following accounting policies changes were made.

Summary of accounting policy changes

a) Classification and measurement of financial assets and liabilities

The Bank classifies its financial assets into the following measurement categories:
- Amortised Cost;
- Fair Value Through Other Comprehensive Income (FVOCI); and
- Fair Value Through Profit or Loss (FVTPL).

Financial liabilities are classified as either:-
- Amortised Cost; or
- Held at Fair Value Through Profit or Loss.

Management determines the classification of its financial assets and liabilities at initial recognition of the instruments or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or held at FVOCI have contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI" characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cashflows have SPPI characteristics, The Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how The Bank manages financial assets to generate cash flows.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Financial assets held at amortised cost and fair value through other comprehensive income (continued)

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified at fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss include:
- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term;
- hybrid financial assets that contain one or more embedded derivatives;
- financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics;
- equity instruments that have not been designated as held at FVOCI; and
- financial liabilities that constitute contingent consideration in a business combination.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition in consistency that would otherwise arise from measuring assets or liabilities on a different basis ("accounting mismatch").

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where The Bank is not able to separately value the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Financial guarantee contracts and loan commitments

The Bank issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, The Bank undertakes to meet a customer’s obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value and subsequently at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of MFRS15 Revenue from Contracts with Customers.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which The Bank has access at that date. The fair value of a liability includes the risk that The Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of The Bank of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, The Bank establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which The Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Initial recognition (continued)

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique use disbased solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

i) Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

ii) Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in profit or loss. Changes in expected credit losses are recognised in profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to profit or loss.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Subsequent measurement (continued)

iii) Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in a separate line in profit or loss.

iv) Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated fair value through profit or loss is recognised in profit or loss.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition.

Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be in frequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Reclassifications (continued)

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

i) Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income , the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the classified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

ii) Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

2. Accounting policy changes (continued)

Summary of accounting policy changes (continued)

a) Classification and measurement of financial assets and liabilities (continued)

Reclassifications (continued)

ii) Reclassified from fair value through other comprehensive income (continued)

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

iii) Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or where The Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and The Bank has retained control, the assets continue to be recognised to the extent of The Bank's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred , such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

2. Accounting policy changes

Summary of accounting policy changes (continued)

(b) Impairment of financial assets

Expected credit losses ("ECL") are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cashflows that are due in accordance with the contractual terms of the instrument and the cash flows that The Bank expects to receive over the contractual life of the instrument.

Measurement

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default ("PD") with the loss given default ("LGD") with the expected exposure at the time of default ("EAD"). There may be multiple default events over the life time of an instrument.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, KLCI and 5 years Government Bond yield. These assumptions are incorporated using The Bank’s most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes those available externally.

To account for the potential non-linearity in credit losses, multiple forward looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is aggregate risk of downside credit losses than upside gains, multiple forward looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD)and in determining the overall expected credit loss amounts.

The period over which cash short falls are determined is generally limited to the maximum contractual period for which The Bank is exposed to credit risk.

2. Accounting policy changes

Summary of accounting policy changes (continued)

(b) Impairment of financial assets (continued)

Measurement (continued)

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, The Bank may also measure credit impairment on the basis of an instrument' fair value using an observable market price.

Cashflows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Recognition

i) 12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the life time cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

ii) Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk ("SICR") since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

2. Accounting policy changes

Summary of accounting policy changes (continued)

(b) Impairment of financial assets (continued)

Recognition (continued)

ii) Significant increase in credit risk (Stage 2) (continued)

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in ECL. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default ("PD") since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual life time PD at the balance sheet date to the residual life time PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on “watchlist” (and subject to closer monitoring).

A “watchlist” account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower’s account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management’s ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances amongst other factors.

2. Accounting policy changes

<u>Summary of accounting policy changes (continued)</u>

(b) Impairment of financial assets (continued)

Recognition (continued)

iii)Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawndown are also included within the Stage 3 credit impairment provision to the extent that the commitment cannot be withdrawn.

Loss provisions against credit impaired financial assets are determined based on an assessment of the recoverable cashflows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cashflows expected to be recovered, discounted at the instrument’s original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Revised Policy Document on Financial Reporting

Bank Negara Malaysia ("BNM") had issued a Revised Policy Document on Financial Reporting and Financial Reporting on 2 February 2018 in which is applicable to all licensed banks, licensed investment bank and licensed Islamic banks in Malaysia. The issuance of this Revised Policy Document superseded previous guidelines issued by BNM previously namely Financial Reporting and Financial Reporting for Islamic Banking Institutions dated 5 February 2016 as well as Classification and Impairment Provisions for Loans / Financing dated 6 April 2015.

The key change in the Revised Policy Document is to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

4. Impact of MFRS 9

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the financial assets and financial liabilities as at 1 April 2018.

Financial assets/liabilities	**Original classification under MFRS 139**	**New Classification under MFRS 9**	**Original carrying amount under MFRS 139 RM'000**	**New carrying amount under MFRS 9 RM'000**
Financial assets				
Cash and short term funds	Loans and receivables	Amortised cost	3,616,844	3,616,421
Deposits and placements with banks and other financial institution	Loans and receivables	Amortised cost	639,783	639,520
Investment securities – debt securities	Available for sale	FVOCI	550,770	550,770
Loans, advances and financing	Loans and receivables	Amortised cost	11,496,753	11,544,924
Derivative financial assets	FVTPL	FVTPL	554,223	554,223
Other assets	Loans and receivables	Amortised cost	195,759	195,726
Statutory deposits with Bank Negara Malaysia	Loans and receivables	Amortised cost	40,700	40,700
Financial liabilities				
Deposits from customers	Amortised cost	Amortised cost	11,151,646	11,151,646
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	2,327,691	2,327,691
Bills and acceptances payable	Amortised cost	Amortised cost	9,589	9,589
Derivative financial liabilities	FVTPL	FVTPL	538,844	538,844
Other liabilities	Amortised cost	Amortised cost	197,901	206,072

4. Impact of MFRS 9 (continued)

A reconciliation between the balances under MFRS 139 and MFRS 9 as at 1 April 2018, as follows:-

Statement of Financial Position	**Original carrying amount under MFRS 139 RM'000**	**Reclassification RM'000**	**Expected credit losses RM'000**	**New carrying amount under MFRS 9 RM'000**
Assets				
Cash and short term funds	3,616,844	-	(423)	3,616,421
Deposits and placements with banks and other financial institution	639,783	-	(263)	639,520
Debt instruments at FVOCI	-	550,770	-	550,770
Investment securities – debt securities	550,770	(550,770)	-	-
Loans, advances and financing	11,496,753	-	48,171*	11,544,924
Derivative financial assets	554,223	-	-	554,223
Other assets	195,759	-	(33)	195,726
Statutory deposits with Bank Negara Malaysia	40,700	-	-	40,700
Plant and equipment	13,936	-	-	13,936
Tax recoverable	627	-	-	627
Total assets	**17,109,395**	**-**	**47,452**	**17,156,847**

*Loans, advances and financing includes the impact of MFRS 9 Expected Credit Losses amounting to RM15.413 million and a reversal of Collective Impairment Provision of RM63.584 million under MFRS 139.

4. Impact of MFRS 9 (continued)

A reconciliation between the balances under MFRS 139 and MFRS 9 as at 1 April 2018, as follows:-

Statement of Financial Position	**Original carrying amount under MFRS 139 RM'000**	**Reclassification RM'000**	**Expected credit losses RM'000**	**New carrying amount under MFRS 9 RM'000**
Liabilities				
Deposits from customers	11,151,646	-	-	11,151,646
Deposits and placements of banks and other financial institutions	2,327,691	-	-	2,327,691
Bills and acceptances payable	9,589	-	-	9,589
Derivative financial liabilities	538,844	-	-	538,844
Other liabilities	197,901	-	8,171	206,072
Deferred tax liabilities	26,531	-	9,392	35,923
Total liabilities	**14,252,202**	**-**	**17,563**	**14,269,765**
Equity				
Share capital	2,452,605	-	-	2,452,605
Reserves	404,588	-	29,889	434,477
Total equity attributable to owners of the Bank	**2,857,193**	**-**	**29,889**	**2,887,082**
Total liabilities and equity	**17,109,395**	**-**	**47,452**	**17,156,847**

5. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2018 was not subject to any qualification.

6. Seasonal or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal or cyclical factors.

7. Unusual Items Due to Their Nature, Size or Incidence

Aside from the Accounting Policy Changes as a results of the adoption of MFRS9 as stated under Item 2 and 4, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the first quarter and three months ended 30 June 2018.

8. Changes in Estimates

There was no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the first quarter and three months ended 30 June 2018.

9. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the first quarter and three months ended 30 June 2018.

10. Dividend

No dividend was paid during the first quarter and three months ended 30 June 2018.

11. Review of Performance

For the first quarter ended 30 June 2018, the Bank registered a Profit Before Taxation of RM63.38 million, which is a significantly improved performance as compared to the reported Profit Before Taxation of RM35.32 million in the corresponding period last year. The positive result was mainly attributed to the marked increase in Net Interest Income amounting to RM58.58 million from RM47.09 million as reported in the previous corresponding quarter. The much improved quarter on quarter result was also on the back of new capital amounting to RM877.6 million which was injected in July 2017.

In addition, the improved Other Operating Income for the period amounting to RM26.79 million, which is a 74.9% increase as compared to the previous corresponding quarter recorded amount of RM15.32 million had also contributed to the overall improved financial performance of the Bank.

Total Assets registered an increase of 9.9% amounting to RM18,811.3 million as at 30 June 2018. This was mainly due to the 8.9% increase in Loans, Advances and Financing amounting to RM12,523.6 million during the quarter in review. Total Liabilities registered an increase by 11.4% amounting to RM15,875.3 million, which is in line with increase in Deposits From Customers from RM11,151.6 million in the previous quarter to RM12,258.6 million for the period in review.

The Management accounts for the Bank shall, from hereon be consistent with the stipulations under the MFRS9 accounting standards.

12. Current Year Prospects

The Malaysian economy recorded a gross domestic product (“GDP”) growth of 5.4% in the first quarter of 2018. Following that, Bank Negara Malaysia had raised its forecast for Malaysia’s 2018 economic growth to 5.5%-6.0% from 5.0%-5.5% previously. The optimistic outlook was due to the continued expansion in domestic demand and key economic sectors as well as strengthening exports.

Economic reports continue to be positive on the domestic economy despite the change in the government after the 14th general election in May 2018. The optimism is underpinned by several factors including improved export growth as well as private expenditure on the back of steady private investments and the pick-up in private consumption since the removal of the goods and services tax (GST) and its replacement by the sales and services tax (SST) to come into effect on September 2018.

12. Current Year Prospects (continued)

While the impact on economics and fiscal reforms by the new government remain to be seen, there is growing confidence in trade and economic activities between Japan and Malaysia arising from the current Government to Government (G2G) discourse on bilateral co-operation for fiscal debt funding and the likely spin-off from infra-structure, transportation, energy and services sectors thereafter. The Bank is well positioned to take advantage of the positive development and will continue to discerningly seek-out viable opportunities going forward.

The Bank is also mindful of the external factors such as rising protectionism, trade tensions in major economies, geopolitical development and commodity price volatility as well as re-ignition of financial market volatility and rising debts levels in the global market. These may cause some volatility in the market from time to time and as such, we are diligently monitoring the potential risks and impact on our performance throughout the year while remaining cautiously optimistic in achieving the targets as set.

13. Cash and Short-Term Funds

	30 June 2018 RM'000	**31 March 2018 RM'000**
Cash and balances with banks and other financial institution	78,709	80,061
Money at call and deposit placements maturing within one month	3,645,850	3,536,783
	3,724,559	3,616,844
Less: Allowance for ECL	(316)	-
	3,724,243	3,616,844

Movement in ECL for Cash and Short-Term Funds		
As at 31 March 2018	-	-
Effect of adopting MFRS 9 Financial Statements	423	-
1 April 2018, as restated	423	-
Charges to income statement		
Increase/(Decrease) in ECL	(107)	-
At end of financial period	316	-

14. Deposits and Placement with Banks and Other Financial Institutions

	30 June 2018 RM'000	31 March 2018 RM'000
Money at call and deposit placements maturing more than one month	1,232,537	639,783
Less: Allowance for ECL	(260)	-
	1,232,277	639,783

Movement in ECL on Deposits and Placement with Banks and Other Financial Institutions		
As at 31 March 2018	-	-
Effect of adopting MFRS 9 Financial Statements	263	-
1 April 2018, as restated	263	-
Charges to income statement		
Increase/(Decrease) in ECL	(3)	-
At end of financial period	260	-

15. Debt Instruments at FVOCI

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
Negotiable instruments of deposits	452,564	-
Malaysian Government treasury bills	128,472	-
Malaysian Government sukuk	19,936	-
	600,972	

16. Investments Securities Available-for-Sale

	30 June 2018 RM'000	31 March 2018 RM'000
At fair value		
Negotiable instruments of deposits	-	401,292
Malaysian Government treasury bills	-	129,473
Malaysian Government sukuk	-	20,005
	-	550,770

17. Loans, Advances and Financing

	30 June 2018 RM'000	31 March 2018 RM'000
(a) By type:		
At amortised cost:		
Overdraft	70,313	24,262
Term loans		
- Syndicated loans	1,114,338	897,646
- Syndicated Islamic financing	202,861	116,173
- Bridging loans	-	-
- Factoring receivables	67,714	71,211
- Other term loans	5,192,879	4,933,908
- Other Islamic term financing	1,488,983	1,431,642
Trade bills discounted	123,878	164,506
Revolving credits	3,559,249	3,248,427
Islamic revolving credit	715,356	672,562
Gross loans, advances and financing	12,535,571	11,560,337
Less: Allowance for ECL	(12,005)	-
Less: Collective impairment provision	-	(63,584)
Net loans, advances and financing	12,523,566	11,496,753
(b) By geographical distribution:		
Malaysia	10,889,733	9,885,884
Other countries	1,645,838	1,674,453
Gross loans, advances and financing	12,535,571	11,560,337

17. Loans, Advances and Financing (Continued)

	30 June 2018 RM'000	31 March 2018 RM'000
(c) By type of customer:		
Domestic non-bank financial institutions	3,766,501	3,365,088
Domestic business enterprises	8,732,428	8,159,917
Foreign entities	36,642	35,332
Gross loans, advances and financing	12,535,571	11,560,337
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	1,101,301	933,224
Variable rate		
- Cost-plus	3,787,253	3,455,220
- Other variable rates	7,647,017	7,171,893
Gross loans, advances and financing	12,535,571	11,560,337
(e) By sector:		
Primary agriculture	50,013	-
Mining and quarrying	40,386	38,629
Manufacturing	3,497,369	3,205,237
Electricity, gas and water	1,012,707	969,335
Construction	17,004	41,942
Wholesale and retail trade, and restaurants and hotels	991,367	1,010,962
Transport, storage and communication	542,551	536,331
Finance, insurance, and business services	5,363,328	4,838,430
Real estate	1,007,643	911,469
Education, health and others	13,203	8,002
Gross loans, advances and financing	12,535,571	11,560,337

17. Loans, Advances and Financing (Continued)

	30 June 2018 RM'000	31 March 2018 RM'000
(f) By economic purposes:		
Purchase of securities	34,670	34,726
Purchase of residential property	-	-
Purchase of non-residential property		
- Commercial complexes	202,366	202,015
Purchase of fixed assets other than land and building	200,089	212,913
Construction	710,463	688,435
Working Capital	6,884,309	6,277,521
Other purpose	4,503,674	4,144,727
Gross loans, advances and financing	12,535,571	11,560,337

	30 June 2018 RM'000	31 March 2018 RM'000
(g) By residual contractual maturity:		
Maturing within one year	5,111,809	4,722,617
One year to three years	3,199,123	2,927,555
Three years to five years	3,531,232	3,263,428
More than five years	693,407	646,737
Gross loans, advances and financing	12,535,571	11,560,337

17. Loans, Advances and Financing (Continued)

	30 June 2018			
	12 months ECL (Stage 1)	**Lifetime ECL (not credit impaired) (Stage 2)**	**Lifetime ECL (credit impaired) (Stage 3)**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(h) Change in gross Loans, Advances and Financing carrying amount				
As at 31 March 2018	-	-	-	-
Effect of adopting MFRS 9 Financial Instruments	11,024,419	535,918	-	11,560,337
As at 1 April 2018, restated	11,024,419	535,918	-	11,560,337
Transfer to 12-month ECL (Stage 1)	100,075	(100,075)	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognized during the period	(931,649)	(47,200)	-	(978,849)
New loans, advances and financing originated or purchased	1,684,201	2,001	-	1,686,202
Other adjustments	247,976	19,905	-	267,881
Gross carrying amount at the end of period	12,125,022	410,549	-	12,535,571

17. Loans, Advances and Financing (Continued)

	30 June 2018			
	12 months ECL (Stage 1)	Lifetime ECL (not credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
(i) Movements in ECL on loans, advances and financing measured at amortised cost				
As at 31 March 2018	-	-	-	-
Effect of adopting MFRS 9 Financial Instruments	54,494	9,090	-	63,584
As at 1 April 2018, restated	54,494	9,090	-	63,584
Transfer to 12-month ECL (Stage 1)	1,373	(1,373)	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Transfer to Lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognized during the period	(862)	(57)	-	(919)
New loans, advances and financing originated or purchased	1,222	5	-	1,227
Changes due to change in credit risk	(2,400)	(1,034)	-	(3,434)
Changes in models/risk parameters	(47,986)	(467)	-	(48,453)
Total Provision at the end of period	5,841	6,164	-	12,005

17. Loans, Advances and Financing (Continued)

	31 March 2018 RM'000
(j) Movements in collective allowance for impairment on loans, advances and financing:	
At beginning of the financial period	76,417
Allowance made during the financial period	(12,833)
At end of financial period	63,584
As % of gross loans, advances and financing (inclusive of regulatory reserve)	1.21%

18. Other Assets

	30 June 2018 RM'000	31 March 2018 RM'000
Interest receivables	13,294	7,554
Amount due from related corporations/companies	2,485	124
Cash collateral placements	114,554	182,354
Other receivables	1,817	3,411
Deposits	2,022	2,000
Prepayments	408	316
	134,580	195,759
Less: Allowance for ECL	(20)	-
	134,560	195,759

Movement in ECL for Other Assets		
As at 31 March 2018	-	-
Effect of adopting MFRS 9 Financial Statements	33	-
1 April 2018, as restated	33	-
Charges to income statement		
Increase/(Decrease) in ECL	(13)	-
At end of financial period	20	-

19. Deposits from Customers

	30 June 2018 RM'000	31 March 2018 RM'000
(a) By type of deposits:		
Demand deposits	1,788,036	2,019,719
Fixed deposits	6,296,728	5,843,075
Short-term deposits	4,173,811	3,288,852
	12,258,575	11,151,646
(b) By type of customers:		
Domestic non-bank financial institutions	400,154	481,458
Domestic business enterprises	6,760,175	5,893,506
Branch of immediate holding company	4,945,739	4,679,660
Foreign non-bank entities	151,677	96,192
Domestic other entities	830	830
	12,258,575	11,151,646
(c) Maturity structure of fixed deposits:		
Due within six months	1,560,946	1,105,912
Six months to one year	341,057	495,205
One year to three years	1,347,133	1,355,372
Three years to five years	2,420,661	2,329,397
Five years to ten years	319,571	305,749
Ten years and above	307,360	251,440
	6,296,728	5,843,075

20. Deposits and Placements of Banks and Other Financial Institutions

	30 June 2018 RM'000	31 March 2018 RM'000
Licensed Malaysian Bank	73,714	69,075
Foreign banks		
- Immediate holding company	2,657,533	2,258,616
	2,731,247	2,327,691

21. Other Liabilities

	30 June 2018 RM'000	31 March 2018 RM'000
Interest payable	26,947	14,851
Amount due to related corporations/companies	25,242	13,039
Cash collateral placement	211,341	122,129
Other payables	30,348	34,249
Accruals	15,262	13,633
Allowance for ECL on commitments and contingencies	4,591	-
	313,731	197,901
Movement in allowance for ECL on commitments and contingencies		
As at 31 March 2018	-	-
Effect of adopting MFRS 9 Financial Statements	8,171	-
1 April 2018, as restated	8,171	-
Charges to income statement		
Increase/(Decrease) in ECL	(3,580)	-
At end of financial period	4,591	-

22. Interest Income

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Loans, advances and financing				
- Interest income	82,556	62,918	82,556	62,918
- Financing income	18,976	10,195	18,976	10,195
Money at call and deposit placements with banks and other financial institutions	39,115	29,572	39,115	29,572
Debt instrument at FVOCI	6,310	-	6,310	-
Investment securities available-for-sale	-	6,024	-	6,024
Others	9	87	9	87
	146,966	108,796	146,966	108,796

23. Interest Expense

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Deposits and placement of bank and other financial institutions	13,712	15,880	13,712	15,880
Deposits from customers	74,598	45,617	74,598	45,617
Debt instrument at FVOCI	75	-	75	-
Investment securities available-for-sale	-	163	-	163
Others	2	48	2	48
	88,387	61,708	88,387	61,708

24. Other Operating Income

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Fee and commission income				
- Service charges/ fees	15	6	15	6
- Guarantee fees	298	287	298	287
- Loan related fees	3,444	2,669	3,444	2,669
- Commitment fees	855	304	855	304
	4,612	3,266	4,612	3,266
Gain from derivative financial instruments	1,268	2,802	1,268	2,802
Unrealised net loss on revaluation of derivatives	74	(3,431)	74	(3,431)
Foreign exchange net gain	17,368	9,604	17,368	9,604
Other income				
- Management fees	2,203	1,683	2,203	1,683
- Rental of fixed assets	417	505	417	505
- Miscellaneous income	847	891	847	891
	3,467	3,079	3,467	3,079
	26,789	15,320	26,789	15,320

25. Other Operating Expenses

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Personnel costs				
Salaries, allowance and bonuses	8,858	7,374	8,858	7,374
Employees' provident fund	1,067	886	1,067	886
Staff training expenses	196	56	196	56
Other personnel expenses	884	1,675	884	1,675
	11,005	9,991	11,005	9,991
Establishment costs				
Rental of premises	982	447	982	447
Depreciation	764	991	764	991
Repair and maintenance	105	188	105	188
Other establishment expenses	3,333	2,807	3,333	2,807
	5,184	4,433	5,184	4,433
Marketing expenses				
Advertisement and publicity	42	42	42	42
Other marketing expenses	29	24	29	24
	71	66	71	66

25. Other Operating Expenses (Continued)

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Administration and general expenses				
Guarantee fees	6,372	5,424	6,372	5,424
Auditors' remuneration				
- Statutory audit	62	47	62	47
- Other services	38	20	38	20
Professional fees	104	158	104	158
Communication expenses	107	135	107	135
Management fees	4,138	2,599	4,138	2,599
License fees and stamp duties	38	188	38	188
Non-executive directors' fees and allowances	153	157	153	157
Other administration and general expenses	1,788	3,058	1,788	3,058
	12,800	11,786	12,800	11,786
	29,060	26,276	29,060	26,276

26. Allowance for Expected Credit Losses

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Loans, advances and financing	(3,408)	-	(3,408)	-
Credit commitments and contingencies	(3,580)	-	(3,580)	-
Other assets	(83)	-	(83)	-
	(7,071)	-	(7,071)	-

27. Allowance for Impairment on Loans, Advances and Financing

	1st Quarter Ended		Three Months Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Collective impairment allowance made	-	808	-	808

28. Segmental Reporting on Revenue, Profit and Assets

Segmental reporting has not been prepared as there are no other segments other than the commercial banking segment.

29. Subsequent Events

There were no significant events subsequent to the statement of financial position date which have not been disclosed in these unaudited condensed interim financial statements.

30. Changes in the Composition of the Bank

There were no significant changes in the composition of the Bank during the first quarter and three months ended 30 June 2018.

31. Use of Financial Instruments

Interest rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates.

	Non-trading book								
30 June 2018	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing RM'000**		**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	3,645,850	-	-	-	-	78,393		-	3,724,243
Deposits and placements with banks and other financial institutions	-	766,179	466,358	-	-	(260)	^	-	1,232,277
Investment securities available-for-sale	251,084	200,793	149,095	-	-	-		-	600,972
Loans, advances and financing	2,755,371	1,265,823	1,090,613	6,730,357	693,407	(12,005)	^	-	12,523,566
Other assets	7,335	2,354	3,754	-	-	7,429		-	20,872
Derivative assets	-	-	25,718	5,073	-	-		506,460	537,251
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	41,790		-	41,790
Total assets	6,659,640	2,235,149	1,735,538	6,735,430	693,407	115,347		506,460	18,680,971

^ The negative balance represents allowance for ECL.

31. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	← Non-trading book					→		
30 June 2018	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	2,508,771	1,992,334	1,574,711	3,767,790	626,932	1,788,037	-	12,258,575
Deposits and placements of banks and other financial institutions	1,272,636	1,257,352	100,893	97,513	-	2,853	-	2,731,247
Bills and acceptances payable	-	-	880	-	-	-	-	880
Other liabilities	-	-	34,957	6,338	510	268,693	-	310,498
Derivative financial liabilities	1	5,704	46	2,640	37,770	-	490,296	536,457
Total liabilities	3,781,408	3,255,390	1,711,487	3,874,281	665,212	2,059,583	490,296	15,837,657
On balance sheet interest rate gap	2,878,232	(1,020,241)	24,051	2,861,149	28,195	(1,944,236)	16,164	2,843,314
Off balance sheet interest rate gap	-	873,148	(46,600)	(826,548)	-	-	-	-
Total interest rate gap	2,878,232	(147,093)	(22,549)	2,034,601	28,195	(1,944,236)	16,164	2,843,314

31. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	Non-trading book								
31 March 2018	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing RM'000**		**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	3,536,783	-	-	-	-	80,061		-	3,616,844
Deposits and placements with banks and other financial institutions	-	639,783	-	-	-	-		-	639,783
Investment securities available-for-sale	-	431,195	39,471	40,011	40,093	-		-	550,770
Loans, advances and financing	2,305,064	1,294,635	1,122,918	6,190,983	646,737	(63,584)	^	-	11,496,753
Other assets	3,424	2,605	1,535	-	-	3,965		-	11,529
Derivative financial assets	2,588	13	6	22,948	309	-		528,359	554,223
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	40,700		-	40,700
Total assets	5,847,859	2,368,231	1,163,930	6,253,942	687,139	61,142		528,359	16,910,602

^ The negative balance represents collective allowance for impairment on loans, advances and financing.

31. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	← Non-trading book					→		
31 March 2018	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest bearing RM'000**	**Trading book RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	2,153,958	1,261,183	1,474,827	3,684,763	557,188	2,019,727	-	11,151,646
Deposits and placements of banks and other financial institutions	984,774	1,100,936	145,180	93,899	-	2,902	-	2,327,691
Bills and acceptances payable	-	-	9,589	-	-	-	-	9,589
Other liabilities	6,980	6,281	4,138	5,053	236	172,569	-	195,257
Derivative financial liabilities	-	-	8,167	4,109	49,259	-	477,309	828,339
Total liabilities	3,145,712	2,368,400	1,641,901	3,787,824	606,683	2,195,198	477,309	14,223,027
On balance sheet interest rate gap	2,702,147	(169)	(477,969)	2,466,119	80,454	(2,134,055)	51,051	2,687,578
Off balance sheet interest rate gap	-	858,399	(22,605)	(755,794)	(80,000)	-	-	-
Total interest rate gap	2,702,147	858,230	(500,574)	1,710,325	454	(2,134,055)	51,051	2,687,578

31. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	30 June 2018		**31 March 2018**	
	MYR	**USD**	**MYR**	**USD**
	%	**%**	**%**	**%**
Financial assets				
Cash and short-term funds	3.35	2.38	3.26	1.91
Deposits and placements with banks and other financial institutions	3.64	2.73	3.40	3.40
Loans, advances and financing	4.54	3.21	4.47	2.94
Financial liabilities				
Deposits from customers	3.73	2.33	3.70	2.04
Deposits and placements of banks and other financial institutions	-	2.22	-	2.03

32. Capital Adequacy

The total capital and capital adequacy ratios of the Bank are computed based on the Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

The capital adequacy ratios of the Bank are analysed as follows:

	30 June 2018 RM'000	31 March 2018 RM'000
Tier-1 capital		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	343,237	328,632
Statutory reserve	-	-
Available-for-sale reserve	971	366
	2,796,813	2,781,603
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	2,796,813	2,781,603
Tier-2 capital		
Collective allowance for impairment	17,378	63,584
Regulatory reserves	138,054	75,142
Tier-2 Capital	155,432	138,726
Total capital base	2,952,244	2,920,329
Capital ratios		
CET 1 and Tier 1 Capital Ratio	21.130%	22.498%
Total Capital Ratio	22.304%	23.620%

32. Capital Adequacy (Continued)

Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows :

	30 June 2018 RM'000	31 March 2018 RM'000
Credit risk	12,542,826	11,634,674
Market risk	229,886	296,185
Operational risk	463,778	432,769
Total risk-weighted assets	13,236,490	12,363,628

33. Commitments and Contingencies

In the ordinary course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitment and contingencies are as follows:

	30 June 2018			31 March 2018		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted assets RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk-weighted assets RM'000
Transaction related contingent items	685,797	342,899	337,158	489,289	244,644	238,904
Short-term self-liquidating trade-related contingencies	202,962	40,592	40,592	281,079	56,216	56,216
Foreign exchange related contracts:						
One year or less	12,020,850	467,169	230,356	12,316,700	445,427	259,135
Over one year to five years	6,959,986	857,123	534,266	6,377,068	881,539	543,615
Over five years	900,881	243,751	104,238	887,498	229,436	97,843
Interest/ profit rate related contracts						
One year or less	59,873	1,057	476	63,605	800	384
Over one year to five years	826,548	28,802	17,894	755,794	27,795	17,971
Over five years	-	-	-	80,000	4,309	2,154
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,941,370	2,470,685	2,430,328	4,949,487	2,474,744	2,423,583
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	673,492	134,698	115,327	728,307	145,661	127,128
Total	27,271,759	4,586,776	3,810,635	26,928,827	4,510,571	3,766,933

* *The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.*

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 June 2018 have been prepared from the Bank's accounting and other records and they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and the Revised Guidelines on Financial Reporting issued by Bank Negara Malaysia on 2 February 2018.

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Yoshimi Gunji
Chief Executive Officer

Date: 26 July 2018