

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

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 2019**

		30 June 2019 RM'000	31 March 2019 RM'000
	Note		
Assets			
Cash and short-term funds	13	5,830,091	4,377,758
Deposits and placements with banks and other financial institutions	14	624,214	762,624
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	612,565	733,457
Loans, advances and financing	16	13,532,089	13,020,394
Derivative financial assets		399,536	355,051
Other assets	17	74,823	72,479
Statutory deposits with Bank Negara Malaysia		52,480	50,680
Plant and equipment		15,059	15,822
Right-of-use assets		3,127	-
Tax recoverable		25,258	37,919
Total assets		21,169,242	19,426,184
Liabilities			
Deposits from customers	18	15,515,732	13,752,568
Deposits and placements of banks and other financial institutions	19	1,833,874	1,982,471
Bills and acceptances payable		1,386	1,305
Derivative financial liabilities		373,662	309,102
Other liabilities	20	244,746	250,692
Lease liabilities		3,127	-
Provision for credit commitments and contingencies	21	14,818	16,016
Deferred tax payable		34,595	31,997
Total liabilities		18,021,940	16,344,151
Equity			
Share capital		2,452,605	2,452,605
Reserves		694,697	629,428
Total equity attributable to owners of the Bank		3,147,302	3,082,033
Total liabilities and equity		21,169,242	19,426,184
Commitments and contingencies	31	31,422,712	30,342,234

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Interest income	22	174,959	146,891	174,959	146,891
Interest expense	23	(111,434)	(88,312)	(111,434)	(88,312)
Net interest income		<u>63,525</u>	<u>58,579</u>	<u>63,525</u>	<u>58,579</u>
Other operating income	24	44,520	26,789	44,520	26,789
Net operating income		<u>108,045</u>	<u>85,368</u>	<u>108,045</u>	<u>85,368</u>
Other operating expenses	25	(32,657)	(29,060)	(32,657)	(29,060)
Operating profit		<u>75,388</u>	<u>56,308</u>	<u>75,388</u>	<u>56,308</u>
Writeback of allowance for impairment on loans, advances and financing	26	3,320	6,988	3,320	6,988
(Allowance)/writeback of allowance for impairment on other financial assets	27	(346)	83	(346)	83
Profit before taxation		<u>78,362</u>	<u>63,379</u>	<u>78,362</u>	<u>63,379</u>
Tax expense		(19,193)	(15,605)	(19,193)	(15,605)
Profit after taxation		<u>59,169</u>	<u>47,774</u>	<u>59,169</u>	<u>47,774</u>
Other comprehensive income for the financial period, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Movement in fair value reserve (FVOCI debt instruments):					
- Debt instruments measured at FVOCI - net change in fair value		(1,476)	1,157	(1,476)	1,157
- Debt instruments measured at FVOCI - (decrease)/increase in allowance for impairment		(11)	40	(11)	40
Total comprehensive income for the financial period		<u><u>57,682</u></u>	<u><u>48,971</u></u>	<u><u>57,682</u></u>	<u><u>48,971</u></u>
Basic earnings per ordinary share (sen)		<u><u>2.41</u></u>	<u><u>1.97</u></u>	<u><u>2.41</u></u>	<u><u>1.97</u></u>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

	<i>Non-distributable reserves</i>					<i>Distributable</i>	Total RM'000
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	AFS reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 April 2019	2,452,605	-	111,598	-	2,872	514,958	3,082,033
Profit for the period	-	-	-	-	-	59,169	59,169
Fair value changes of debt instruments measured at FVOCI	-	-	-	-	(1,487)	-	(1,487)
Total comprehensive income for the period	-	-	-	-	(1,487)	59,169	57,682
Transfer to regulatory reserve	-	-	7,587	-	-	-	7,587
At 30 June 2019	2,452,605	-	119,185	-	1,385	574,127	3,147,302
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 debt instruments measured at FVOCI	-	-	-	-	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

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

	1st Quarter Ended / Three Months Ended	
	30 June 2019	30 June 2018
	RM'000	RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	78,362	63,379
Adjustments for non-cash items	(9,251)	34,292
Operating profit before working capital changes	<u>69,111</u>	<u>97,671</u>
Changes in working capital:		
Net changes in operating assets	(323,781)	(1,537,543)
Net changes in operating liabilities	1,610,227	1,617,606
Net cash generated from operating activities	<u>1,355,557</u>	<u>177,734</u>
Tax paid	(20,871)	(16,878)
Net cash generated from operating activities	<u>1,334,686</u>	<u>160,856</u>
Net cash generated from/(used in) investing activities	118,442	(53,457)
Net cash generated from/(used in) financing activities	-	-
Net increase in cash and cash equivalents during the financial period	<u>1,453,128</u>	<u>107,399</u>
Cash and cash equivalents at beginning of the financial period	<u>4,378,459</u>	<u>3,616,844</u>
Cash and cash equivalents at end of the financial period	<u><u>5,831,587</u></u>	<u><u>3,724,243</u></u>
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	48,389	78,709
Money at call and deposit placements maturing within one month	<u>5,783,198</u>	<u>3,645,850</u>
	<u><u>5,831,587</u></u>	<u><u>3,724,559</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

1. Basis of preparation

The unaudited condensed interim financial statements for the first quarter and three months ended 30 June 2019 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 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets and liabilities at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI") and derivative financial instruments.

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 2019. 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 2019.

The unaudited condensed interim financial statements incorporated those activities relating to Islamic banking business which have been undertaken by the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant 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 financial year ended 31 March 2019, except for the adoption of the following new MFRSs, amendments to MFRSs and Issues Committee ("IC") interpretations which are 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, *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*

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

1. Basis of preparation (continued)

- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

The initial application of the abovementioned accounting standards, amendments and interpretations do not have any material financial impact to the financial statements of the Bank except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset during the lease term and a lease liability representing its obligations to make lease payments. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the profit or loss. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to classify a lease as finance or operating lease.

The Bank applied MFRS 16 using the modified retrospective approach, where the cumulative transition effect of adoption, if any, is recognised in the opening of retained earnings as at 1 April 2019, with no restatement of comparative figures. On transition to MFRS 16, the Bank recognised lease liabilities amounting to RM3.64 million with a corresponding right-of-use assets amounting to RM3.64 million, whereby the difference between the lease liabilities and right-of-use assets is recognised in the retained earnings.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

1. Basis of preparation (continued)

The following MFRSs and amendments have been issued by the MASB and are not yet effective to the Bank.

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of Business*
- Amendments to MFRS 101, *Presentation of Financial Statements - Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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*

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Bank.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2019 was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Bank were not materially affected by any seasonal or cyclical factors in the first quarter and three months ended 30 June 2019.

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

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 2019.

5. Changes in Estimates

There were 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 2019.

6. 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 2019.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

7. Dividend

No dividend was paid during the first quarter and three months ended 30 June 2019.

8. 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.

9. Subsequent Events

There were no significant events subsequent to the statement of financial position date that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. Changes in the Composition of the Bank

There were no changes in the composition of the Bank during the first quarter and three months ended 30 June 2019.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

11. Review of Performance

For the first quarter ended 30 June 2019, the Bank registered profit before taxation of RM78.4 million, an increase of 24% as compared to RM63.4 million recorded in the corresponding quarter last year. Consequentially, profit after taxation increased by 24% to RM59.2 million in the quarter under review as compared to RM47.8 million in the corresponding quarter last year.

The improved performance was mainly attributed to the increase in other operating income of RM44.5 million as compared to RM26.8 million recorded in the corresponding quarter last year attributed largely by the higher unrealised net gain on revaluation of derivatives. In addition, the higher net interest income of RM63.5 million recorded in the current quarter as compared to RM58.6 million in the corresponding quarter last year had also contributed to the overall improved financial performance of the Bank.

However, the higher earnings were partially offset by an increase in other operating expenses amounting to RM32.7 million in the quarter under review as compared to RM29.1 million recorded in the corresponding quarter last year.

Total assets registered a 9% increase amounting to RM21,169 million as at 30 June 2019 as compared to RM19,426 million as at the financial year ended 31 March 2019. This was mainly attributed to the 33.2% increase in cash and short-term funds amounting to RM5,830 million and the net growth in loans, advances and financing of 3.9% to RM13,532 million as at 30 June 2019.

The total liabilities recorded an increase of 10.3% to RM18,022 million as at 30 June 2019 as compared to RM16,344 million as at year-ended 31 March 2019. This was largely contributed by the higher customer deposits of 12.8% amounting to RM15,516 million as at 30 June 2019 compared to RM13,753 million as at financial year-ended 31 March 2019.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

12. Current Year Prospects

The Malaysian economy recorded a gross domestic product (“GDP”) growth of 4.5% in the first quarter of 2019. Bank Negara Malaysia (“BNM”) maintained its forecast for 2019 economic growth rate at between 4.3% to 4.8%. On the monetary policy front, BNM had reduced its Overnight Policy Rate (“OPR”) by 25 basis points to 3.0% on 7 May 2019, marking the first revision in over a year. The optimistic outlook leading to the rate cut decision was due to the continued expansion in domestic demand in key economic sectors as well as the strengthening of export demands.

Private sector activities continued to be the primary driver of economic growth. Private consumption expanded consistently with strong employment rate and wage growths although consumer sentiments had moderated from its recent peak. In addition, growth was also supported by higher private investment indicative of both the Foreign Direct Investment (“FDI”) and domestic direct investment in diverse sectors of the economy.

Despite the resilient economic performance, Malaysia remains subject to heightening uncertainties from external factors including rising protectionism, trade tensions in the major economies and geopolitical instability. These factors have exacerbated the financial and commodity price volatility on the back of rising debts levels in the global market. Malaysia's diversified structure and inherent dynamism will help to weather the risks and vulnerabilities while preserving macroeconomic and financial stability.

Notwithstanding, the Bank remains cautiously optimistic in achieving its key business and financial targets as set out for the year despite the business challenges as stated above.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

13. Cash and short-term funds

	30 June 2019 RM'000	31 March 2019 RM'000
Cash and balances with banks and other financial institutions	48,389	52,810
Money at call and deposit placements maturing within one month	5,783,198	4,325,649
	<u>5,831,587</u>	<u>4,378,459</u>
Less: Allowance for expected credit losses ("ECL")	(1,496)	(701)
	<u><u>5,830,091</u></u>	<u><u>4,377,758</u></u>

Movement in allowance for ECL on cash and short-term funds

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	701	-	-	701
Charge to income statement:				
- Increase in ECL	795	-	-	795
At 30 June 2019	<u>1,496</u>	-	-	<u>1,496</u>
At 1 April 2018	676	-	-	676
Charge to income statement:				
- Increase in ECL	25	-	-	25
At 31 March 2019	<u>701</u>	-	-	<u>701</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

14. Deposits and placements with banks and other financial institutions

	30 June 2019 RM'000	31 March 2019 RM'000
Money at call and deposit placements maturing more than one month	624,349	763,179
Less: Allowance for expected credit losses ("ECL")	<u>(135)</u>	<u>(555)</u>
	<u><u>624,214</u></u>	<u><u>762,624</u></u>

Movement in allowance for ECL on deposits and placements with banks and other financial institutions

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	555	-	-	555
Charge to income statement:				
- Decrease in ECL	(420)	-	-	(420)
At 30 June 2019	<u>135</u>	<u>-</u>	<u>-</u>	<u>135</u>
At 1 April 2018	413	-	-	413
Charge to income statement:				
- Increase in ECL	142	-	-	142
At 31 March 2019	<u>555</u>	<u>-</u>	<u>-</u>	<u>555</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

15. Debt instruments measured at fair value through other comprehensive income ("FVOCI")

	30 June 2019 RM'000	31 March 2019 RM'000
At fair value		
Negotiable instruments of deposits	350,489	503,000
Malaysian Government treasury bills	262,076	180,571
Malaysian Government sukuk	-	49,886
	<u>612,565</u>	<u>733,457</u>

Movement in allowance for ECL on debt instruments measured at FVOCI

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	377	-	-	377
- Decrease in ECL	(11)	-	-	(11)
At 30 June 2019	<u>366</u>	<u>-</u>	<u>-</u>	<u>366</u>
At 1 April 2018	234	-	-	234
- Increase in ECL	143	-	-	143
At 31 March 2019	<u>377</u>	<u>-</u>	<u>-</u>	<u>377</u>

The carrying amount of a debt instrument measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings and credit to other comprehensive income.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019****16. Loans, advances and financing**

	30 June 2019 RM'000	31 March 2019 RM'000
(a) By type:		
<u>At amortised cost:</u>		
Overdraft	42,166	83,658
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	1,505,850	1,260,521
- Factoring receivables	154,078	116,294
- Other term loans	6,147,768	6,057,589
- Other Islamic term financing	1,723,640	1,572,273
Trade bills discounted	45,192	102,236
Revolving credits / Revolving credit-i	3,944,535	3,861,085
Gross loans, advances and financing	<u>13,563,229</u>	<u>13,053,656</u>
Less: Allowance for expected credit losses ("ECL")		
- 12-month ECL (Stage 1)	(14,852)	(14,026)
- Lifetime ECL not credit impaired (Stage 2)	(16,288)	(19,236)
Net loans, advances and financing	<u><u>13,532,089</u></u>	<u><u>13,020,394</u></u>
(b) By geographical distribution:		
Malaysia	11,154,167	11,089,511
Other countries:		
- Japan	207,498	199,087
- Hong Kong	46,200	45,227
- Jordan	1,034,291	1,020,649
- Germany	117,748	114,572
- Australia	606,903	396,478
- United States of America	223,772	188,132
- Netherlands	172,650	-
Gross loans, advances and financing	<u><u>13,563,229</u></u>	<u><u>13,053,656</u></u>
(c) By type of customer:		
Domestic non-bank financial institutions	3,836,827	3,902,440
Domestic business enterprises	9,680,202	9,105,989
Foreign entities	46,200	45,227
Gross loans, advances and financing	<u><u>13,563,229</u></u>	<u><u>13,053,656</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 JUNE 2019

16. Loans, advances and financing (continued)

	30 June 2019 RM'000	31 March 2019 RM'000
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	1,296,551	1,443,811
Variable rate		
- Cost-plus	3,765,101	3,829,620
- Other variable rates	8,501,577	7,780,225
Gross loans, advances and financing	<u>13,563,229</u>	<u>13,053,656</u>
(e) By sector:		
Primary agriculture	-	50,020
Mining and quarrying	41,375	40,830
Manufacturing	3,384,867	3,346,613
Electricity, gas and water	1,037,107	1,023,659
Construction	111,503	113,260
Wholesale and retail trade, and restaurants and hotels	1,493,906	1,319,422
Transport, storage and communication	514,924	520,787
Finance, insurance and business services	5,368,183	5,205,888
Real estate	1,217,583	1,042,595
Education, health and others	393,781	390,582
Gross loans, advances and financing	<u>13,563,229</u>	<u>13,053,656</u>
(f) By economic purpose:		
Purchase of securities	35,075	34,958
Purchase of non-residential property		
- Purchase of land	99,396	99,414
- Commercial complexes	207,670	206,207
Purchase of fixed assets other than land and building	406,790	408,274
Construction	590,273	627,692
Working capital	6,510,786	6,538,116
Mergers and acquisition	394,540	396,380
Other purpose	5,318,699	4,742,615
Gross loans, advances and financing	<u>13,563,229</u>	<u>13,053,656</u>
(g) By residual contractual maturity:		
Maturing within one year	4,793,645	4,550,023
One year to three years	4,341,754	3,653,429
Three years to five years	3,810,395	4,279,956
More than five years	617,435	570,248
Gross loans, advances and financing	<u>13,563,229</u>	<u>13,053,656</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

16. Loans, advances and financing (continued)

(h) Change in gross loans, advances and financing carrying amount

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	12,325,321	728,335	-	13,053,656
Transfer to 12-month ECL (Stage 1)	158,994	(158,994)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(8,877)	8,877	-	-
Loans, advances and financing derecognised	(329,248)	-	-	(329,248)
New loans, advances and financing originated or purchased	383,059	-	-	383,059
Other adjustments	453,306	2,456	-	455,762
At 30 June 2019	<u>12,982,555</u>	<u>580,674</u>	<u>-</u>	<u>13,563,229</u>
At 1 April 2018	11,024,418	535,919	-	11,560,337
Transfer to 12-month ECL (Stage 1)	357,974	(357,974)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(759,491)	759,491	-	-
Loans, advances and financing derecognised	(4,322,648)	(267,513)	-	(4,590,161)
New loans, advances and financing originated or purchased	5,691,926	7,052	-	5,698,978
Other adjustments	333,142	51,360	-	384,502
At 31 March 2019	<u>12,325,321</u>	<u>728,335</u>	<u>-</u>	<u>13,053,656</u>

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16. Loans, advances and financing (continued)

(i) Movements in allowance for ECL on loans, advances and financing measured at amortised cost

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	14,026	19,236	-	33,262
Transfer to 12-month ECL (Stage 1)	4,450	(4,450)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,672)	1,672	-	-
Loans, advances and financing derecognised	(1,115)	(1,784)	-	(2,899)
New loans, advances and financing originated or purchased	1,782	-	-	1,782
Changes due to change in credit risk	(2,620)	1,615	-	(1,005)
At 30 June 2019	<u>14,851</u>	<u>16,289</u>	<u>-</u>	<u>31,140</u>
At 1 April 2018	9,412	25,150	-	34,562
Transfer to 12-month ECL (Stage 1)	8,875	(8,875)	-	-
Transfer to lifetime ECL not credit impaired (Stage 2)	(1,996)	1,996	-	-
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)
At 31 March 2019	<u>14,026</u>	<u>19,236</u>	<u>-</u>	<u>33,262</u>

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17. Other assets

	30 June 2019 RM'000	31 March 2019 RM'000
Interest receivable	16,620	21,275
Amount due from related corporations	2,467	194
Cash collateral placements	27,665	48,263
Other receivables	506	464
Deposits	2,004	1,996
Prepayments	25,561	305
	<hr/>	<hr/>
	74,823	72,497
Less: Allowance for expected credit losses ("ECL")	-	(18)
	<hr/>	<hr/>
	74,823	72,479
	<hr/> <hr/>	<hr/> <hr/>

Movement in allowance for ECL on other assets

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	18	-	-	18
Charge to income statement:				
- Decrease in ECL	(18)	-	-	(18)
At 30 June 2019	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
At 1 April 2018	55	-	-	55
Charge to income statement:				
- Decrease in ECL	(37)	-	-	(37)
At 31 March 2019	<hr/>	<hr/>	<hr/>	<hr/>
	18	-	-	18
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019****18. Deposits from customers**

	30 June 2019 RM'000	31 March 2019 RM'000
(a) By type of deposits:		
Demand deposits	2,258,603	1,808,922
Fixed deposits	7,704,396	7,483,463
Short-term deposits	5,552,733	4,460,183
	<u>15,515,732</u>	<u>13,752,568</u>
The maturity structure of fixed deposits is as follows:		
Due within six months	1,283,518	1,734,444
Six months to one year	681,791	400,763
One year to three years	2,912,161	1,878,851
Three years to five years	2,211,237	2,961,558
Five years to ten years	202,097	99,715
Ten years and above	413,592	408,132
	<u>7,704,396</u>	<u>7,483,463</u>
(b) By type of customers:		
Domestic non-bank financial institutions	1,516,593	355,487
Domestic business enterprises	7,489,530	7,543,945
Branch of immediate holding corporation	6,344,433	5,758,383
Foreign non-bank entities	163,570	93,147
Domestic other entities	1,606	1,606
	<u>15,515,732</u>	<u>13,752,568</u>

19. Deposits and placements of banks and other financial institutions

	30 June 2019 RM'000	31 March 2019 RM'000
Licensed Malaysian banks	130,601	66,338
Foreign banks		
- Immediate holding corporation	1,703,273	1,916,133
	<u>1,833,874</u>	<u>1,982,471</u>

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20. Other liabilities

	30 June 2019 RM'000	31 March 2019 RM'000
Interest payable	70,176	35,429
Amount due to immediate holding corporation and related corporations/companies	24,340	20,008
Cash collateral placements	133,894	143,184
Other payables	2,175	39,745
Accruals	14,161	12,326
	<u>244,746</u>	<u>250,692</u>

21. Provision for credit commitments and contingencies

	30 June 2019 RM'000	31 March 2019 RM'000
Provision for credit commitments and contingencies	<u>14,818</u>	<u>16,016</u>

Movement in allowance for ECL on credit commitments and contingencies

	12 months ECL (Stage 1) RM'000	Lifetime ECL (not credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
At 1 April 2019	2,006	14,010	-	16,016
Charge to income statement:				
- Increase/(Decrease) in ECL	148	(1,346)	-	(1,198)
At 30 June 2019	<u>2,154</u>	<u>12,664</u>	<u>-</u>	<u>14,818</u>
At 1 April 2018	1,876	7,752	-	9,628
Charge to income statement:				
- Increase in ECL	130	6,258	-	6,388
At 31 March 2019	<u>2,006</u>	<u>14,010</u>	<u>-</u>	<u>16,016</u>

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019****22. Interest income**

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income	100,385	82,556	100,385	82,556
- Financing income	19,992	18,976	19,992	18,976
Money at call and deposit placements with banks and other financial institutions	48,067	39,115	48,067	39,115
Debt instruments measured at FVOCI	6,515	6,235	6,515	6,235
Others	-	9	-	9
	<u>174,959</u>	<u>146,891</u>	<u>174,959</u>	<u>146,891</u>

23. Interest expense

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	10,285	13,712	10,285	13,712
Deposits from customers	101,149	74,598	101,149	74,598
Others	-	2	-	2
	<u>111,434</u>	<u>88,312</u>	<u>111,434</u>	<u>88,312</u>

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019****24. Other operating income**

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Fee and commission income				
- Service charges/fees	9	15	9	15
- Guarantee fees	330	298	330	298
- Loan related fees	3,630	3,444	3,630	3,444
- Commitment fees	860	855	860	855
	<u>4,829</u>	<u>4,612</u>	<u>4,829</u>	<u>4,612</u>
Gain from derivative financial instruments	<u>1,634</u>	<u>1,268</u>	<u>1,634</u>	<u>1,268</u>
Unrealised net gain on revaluation of derivatives	<u>14,269</u>	<u>74</u>	<u>14,269</u>	<u>74</u>
Foreign exchange, net gain	<u>19,899</u>	<u>17,368</u>	<u>19,899</u>	<u>17,368</u>
Other income				
- Management fees	2,286	2,203	2,286	2,203
- Rental of fixed assets	560	417	560	417
- Miscellaneous income	1,043	847	1,043	847
	<u>3,889</u>	<u>3,467</u>	<u>3,889</u>	<u>3,467</u>
	<u>44,520</u>	<u>26,789</u>	<u>44,520</u>	<u>26,789</u>

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25. Other operating expenses

	1st Quarter Ended		Three Months Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Personnel costs				
Salaries, allowances and bonuses	9,198	8,858	9,198	8,858
Employees' provident fund contributions	1,173	1,067	1,173	1,067
Staff training expenses	147	196	147	196
Staff welfare expenses	73	-	73	-
Other personnel expenses	1,101	884	1,101	884
	<u>11,692</u>	<u>11,005</u>	<u>11,692</u>	<u>11,005</u>
Establishment costs				
Rental of premises	-	982	-	982
Depreciation	1,041	764	1,041	764
Repair and maintenance	(130)	105	(130)	105
Other establishment expenses	4,000	3,333	4,000	3,333
	<u>4,911</u>	<u>5,184</u>	<u>4,911</u>	<u>5,184</u>
Marketing expenses				
Advertisement and publicity	42	42	42	42
Other marketing expenses	24	29	24	29
	<u>66</u>	<u>71</u>	<u>66</u>	<u>71</u>
Administration and general expenses				
Guarantee fees	8,397	6,372	8,397	6,372
Auditors' remuneration				
- Statutory audit	77	62	77	62
- Other services	25	38	25	38
Professional fees	94	104	94	104
Communication expenses	147	107	147	107
Management fees	4,551	4,138	4,551	4,138
Licence fees and stamp duties	38	38	38	38
Non-executive directors' fees and allowances	247	153	247	153
Other administration and general expenses	2,412	1,788	2,412	1,788
	<u>15,988</u>	<u>12,800</u>	<u>15,988</u>	<u>12,800</u>
	<u>32,657</u>	<u>29,060</u>	<u>32,657</u>	<u>29,060</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019****26. Allowance for impairment on loans, advances and financing**

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Writeback of allowance for expected credit losses:</u>				
Loans, advances and financing	(2,122)	(3,408)	(2,122)	(3,408)
Provision for credit commitments and contingencies	(1,198)	(3,580)	(1,198)	(3,580)
	<u>(3,320)</u>	<u>(6,988)</u>	<u>(3,320)</u>	<u>(6,988)</u>

27. Allowance for impairment on other financial assets

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Allowance/(writeback) of allowance for expected credit losses</u>				
Cash and short-term funds	795	172	795	172
Deposits and placements with banks and other financial institutions	(420)	(262)	(420)	(262)
Debt instruments measured at FVOCI	(11)	40	(11)	40
Other assets	(18)	(33)	(18)	(33)
	<u>346</u>	<u>(83)</u>	<u>346</u>	<u>(83)</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

28. 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						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing		
30 June 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	5,783,198	-	-	-	-	46,893	-	5,830,091
Deposits and placements with banks and other financial institutions	-	574,349	50,000	-	-	(135)	-	624,214
Debt instruments measured at FVOCI	50,184	300,305	30,123	231,953	-	-	-	612,565
Loans, advances and financing	1,996,380	1,097,473	1,912,075	7,939,866	617,435	(31,140)	-	13,532,089
Other assets	12,352	1,742	2,543	-	-	32,848	-	49,485
Derivative financial assets	-	-	3,993	4,113	-	-	391,430	399,536
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	52,480	-	52,480
Total assets	7,842,114	1,973,869	1,998,734	8,175,932	617,435	100,946	391,430	21,100,460

^ The negative balance represents allowance for expected credit losses on financial assets.

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

28. Use of Financial Instruments (continued)

Interest rate risk (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing		
30 June 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	3,884,810	2,159,738	1,473,493	5,123,398	615,690	2,258,603	-	15,515,732
Deposits and placements of banks and other financial institutions	1,167,605	571,584	-	87,630	-	7,055	-	1,833,874
Bills and acceptances payable	-	-	1,386	-	-	-	-	1,386
Other liabilities	16,133	11,514	43,736	7,928	1,230	149,762	-	230,303
Derivative financial liabilities	-	-	721	41,377	-	-	331,564	373,662
Total liabilities	5,068,548	2,742,836	1,519,336	5,260,333	616,920	2,415,420	331,564	17,954,957
On balance sheet interest rate gap	2,773,566	(768,967)	479,398	2,915,599	515	(2,314,474)	59,866	3,145,503
Off balance sheet interest rate gap	-	1,702,791	(373,314)	(1,329,477)	-	-	-	-
Total interest rate gap	2,773,566	933,824	106,084	1,586,122	515	(2,314,474)	59,866	3,145,503

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

28. Use of Financial Instruments (continued)

Interest rate risk (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	>1 - 3 months	>3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing		
31 March 2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>								
Cash and short-term funds	4,325,649	-	-	-	-	52,109	-	4,377,758
Deposits and placements with banks and other financial institutions	-	544,820	218,359	-	-	(555)	-	762,624
Debt instruments measured at FVOCI	150,465	452,430	30,150	100,412	-	-	-	733,457
Loans, advances and financing	2,272,222	1,472,003	805,800	7,933,383	570,248	(33,262)	-	13,020,394
Other assets	12,077	6,071	3,126	-	-	4,045	-	25,319
Derivative financial assets	-	27,281	1,561	4,642	-	-	321,567	355,051
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	50,680	-	50,680
Total assets	6,760,413	2,502,605	1,058,996	8,038,437	570,248	73,017	321,567	19,325,283

^ The negative balance represents allowance for expected credit losses on financial assets.

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

28. Use of Financial Instruments (continued)

Interest rate risk (continued)

	Non-trading book						Trading book RM'000	Total RM'000
	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		
31 March 2019								
Liabilities								
Deposits from customers	3,736,722	1,903,008	955,660	4,840,409	507,847	1,808,922	-	13,752,568
Deposits and placements of banks and other financial institutions	991,035	901,673	-	87,111	-	2,652	-	1,982,471
Bills and acceptances payable	-	-	1,305	-	-	-	-	1,305
Other liabilities	20,850	11,687	8,097	7,863	754	203,219	-	252,470
Derivative financial liabilities	-	-	1,006	40,300	-	-	267,796	309,102
Total liabilities	4,748,607	2,816,368	966,068	4,975,683	508,601	2,014,793	267,796	16,297,916
On balance sheet interest rate gap	2,011,806	(313,763)	92,928	3,062,754	61,647	(1,941,776)	53,771	3,027,367
Off balance sheet interest rate gap	-	1,691,218	-	(1,245,885)	(445,333)	-	-	-
Total interest rate gap	2,011,806	1,377,455	92,928	1,816,869	(383,686)	(1,941,776)	53,771	3,027,367

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019****29. Use of Financial Instruments (continued)****Interest rate risk (continued)**

	30 June 2019		31 March 2019	
	MYR	USD	MYR	USD
	% p.a.	% p.a.	% p.a.	% p.a.
Financial assets				
Cash and short-term funds	3.13	2.67	3.31	2.79
Deposits and placements with banks and other financial institutions	3.45	2.62	3.74	2.91
Loans, advances and financing	4.45	3.42	4.61	3.55
Financial liabilities				
Deposits from customers	3.57	2.43	3.69	2.66
Deposits and placements of banks and other financial institutions	-	2.27	-	2.47

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30. Capital Adequacy

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Guidelines on Capital Adequacy Framework (Capital Components and Basel II - Risk Weighted Assets). The Bank adopted the Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk.

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

	30 June 2019 RM'000	31 March 2019 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	574,127	514,958
Fair value reserve	459	1,292
	<u>3,027,191</u>	<u>2,968,855</u>
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier 1 Capital	<u>3,027,191</u>	<u>2,968,855</u>
<u>Tier 2 capital</u>		
Expected credit losses	47,955	50,929
Regulatory reserve	119,185	111,598
Tier 2 Capital	<u>167,140</u>	<u>162,527</u>
Total capital base	<u><u>3,194,331</u></u>	<u><u>3,131,382</u></u>
<u>Capital ratios</u>		
CET 1 and Tier 1 capital ratio	22.262%	22.463%
Total capital ratio	23.491%	23.692%

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

	30 June 2019 RM'000	31 March 2019 RM'000
Credit risk	12,739,284	12,348,428
Market risk	292,970	336,060
Operational risk	565,957	532,388
Total risk-weighted assets	<u><u>13,598,211</u></u>	<u><u>13,216,876</u></u>

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019****31. 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:

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted assets * RM'000
30 June 2019			
Transaction-related contingent items	462,292	230,034	220,119
Short-term self-liquidating trade-related contingencies	401,307	79,709	79,709
Foreign exchange related contracts:			
- Less than one year	11,052,231	315,640	154,671
- One year to less than five years	9,416,825	998,380	649,524
- Five years and above	1,530,804	384,317	234,929
Interest / profit rate related contracts:			
- Less than one year	63,500	1,973	956
- One year to less than five years	1,651,491	52,036	36,148
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,375,225	3,174,459	3,022,986
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	469,037	93,807	93,807
Total	31,422,712	5,330,355	4,492,849

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as per Bank Negara Malaysia Guidelines.

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

31. Commitments and contingencies (continued)

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted assets * RM'000
31 March 2019			
Transaction-related contingent items	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
Total	30,342,234	5,168,800	4,331,675

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as per Bank Negara Malaysia Guidelines.

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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 June 2019 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.

Tetsuya Kainaka
Chief Executive Officer

Date: 26 July 2019