

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED
30 JUNE 2023**

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	As at 30 June 2023 RM'000	As at 31 March 2023 RM'000
Assets			
Cash and short-term funds	13	6,875,589	5,909,241
Deposits and placements with banks and other financial institutions	14	1,567,689	1,967,353
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	732,131	703,693
Loans, advances and financing	16	15,269,446	15,169,490
Derivative financial assets		897,399	586,949
Other assets	17	67,629	40,489
Statutory deposits with Bank Negara Malaysia	18	4,300	45,000
Plant and equipment		8,050	7,795
Right-of-use assets		3,026	3,932
Tax recoverable		143,924	144,451
Total assets		<u>25,569,183</u>	<u>24,578,393</u>
Liabilities			
Deposits from customers	19	16,961,965	16,727,819
Deposits and placements of banks and other financial institutions	20	3,464,234	3,199,056
Bills and acceptances payable		1,195	1,265
Derivative financial liabilities		766,916	508,949
Other liabilities	21	406,563	241,199
Lease liabilities		3,444	4,490
Provision for credit commitments and contingencies	22	7,637	7,481
Deferred tax liabilities		2,093	1,455
Total liabilities		<u>21,614,047</u>	<u>20,691,714</u>
Equity			
Share capital		2,452,605	2,452,605
Reserves		1,502,531	1,434,074
Total equity attributable to owners of the Bank		<u>3,955,136</u>	<u>3,886,679</u>
Total liabilities and equity		<u>25,569,183</u>	<u>24,578,393</u>
Commitments and contingencies	33	<u>36,332,700</u>	<u>33,157,226</u>

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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 2023

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Interest income	23	256,713	97,082	256,713	97,082
Interest expense	24	(188,348)	(45,041)	(188,348)	(45,041)
Net interest income		68,365	52,041	68,365	52,041
Other operating income	25	49,729	33,039	49,729	33,039
Net operating income		118,094	85,080	118,094	85,080
Other operating expenses	26	(34,762)	(33,001)	(34,762)	(33,001)
Operating profit		83,332	52,079	83,332	52,079
Writeback of impairment on loans, advances and financing	27	7,494	2,550	7,494	2,550
Writeback of impairment on other financial assets	28	1,410	128	1,410	128
Profit before taxation		92,236	54,757	92,236	54,757
Tax expense		(22,033)	(12,629)	(22,033)	(12,629)
Profit after taxation		70,203	42,128	70,203	42,128
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		(1,454)	(2,602)	(1,454)	(2,602)
- Debt instruments measured at FVOCI - decrease in allowance for impairment		(292)	(37)	(292)	(37)
Total comprehensive income for the financial period		68,457	39,489	68,457	39,489
Basic earnings per ordinary share (sen)		2.86	1.72	2.86	1.72

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	Share capital RM'000	Non-distributable reserves		Distributable reserves	Total RM'000
		Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
At 1 April 2023	2,452,605	143,570	2,397	1,288,107	3,886,679
Profit for the period	-	-	-	70,203	70,203
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(1,746)	-	(1,746)
Total comprehensive income for the period	-	-	(1,746)	70,203	68,457
At 30 June 2023	2,452,605	143,570	651	1,358,310	3,955,136
At 1 April 2022	2,452,605	143,570	2,125	1,086,968	3,685,268
Profit for the period	-	-	-	42,128	42,128
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(2,639)	-	(2,639)
Total comprehensive income for the period	-	-	(2,639)	42,128	39,489
Transfer to regulatory reserve	-	15,291	-	(15,291)	-
At 30 June 2022	2,452,605	158,861	(514)	1,113,805	3,724,757

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	30 June 2023 RM'000	30 June 2022 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	92,236	54,757
Adjustments for non-cash items	1,350	(8,498)
Operating profit before working capital changes	<u>93,586</u>	<u>46,259</u>
Changes in working capital:		
Net changes in operating assets	260,980	(2,091,616)
Net changes in operating liabilities	661,119	2,069,104
Net cash generated from operating activities	<u>1,015,685</u>	<u>23,747</u>
Tax paid	(20,409)	(28,783)
Net cash generated from / (used in) operating activities	<u>995,276</u>	<u>(5,036)</u>
Net cash (used in) / generated from investing activities	(27,650)	17,241
Net cash used in financing activities	<u>(1,219)</u>	<u>(1,483)</u>
Net increase in cash and cash equivalents during the financial period	966,407	10,722
Cash and cash equivalents at beginning of the financial period	<u>5,911,756</u>	<u>4,721,029</u>
Cash and cash equivalents at end of the financial period	<u><u>6,878,163</u></u>	<u><u>4,731,751</u></u>
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	114,171	67,300
Money at call and deposit placements maturing within one month	6,763,992	4,664,451
	<u><u>6,878,163</u></u>	<u><u>4,731,751</u></u>

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

1. Basis of preparation

The unaudited condensed interim financial statements for the first quarter and financial period ended 30 June 2023 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 for the financial year ended 31 March 2023. 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 2023.

The unaudited condensed interim financial statements incorporated those activities relating to the 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 applied 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 2023, 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 2023:

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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 plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable, except for MFRS 17 which 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 2023 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 financial period ended 30 June 2023.

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

Other than the impact of COVID-19 outbreak and Ukraine crisis that affected the provision of impairment, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the first quarter and financial period ended 30 June 2023.

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 financial period ended 30 June 2023.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the first quarter and financial period ended 30 June 2023.

7. Dividend

No dividend was paid during the first quarter and financial period ended 30 June 2023.

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 financial period ended 30 June 2023.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

11. Review of Performance

For the first quarter financial period ended 30 June 2023, the Bank recorded profit before taxation of RM92.2 million, an increase of 68.2% (Q1 June 2022: RM54.8 million). The improved performance was mainly attributed to the increase in other operating income of 50.6% amounting to RM49.7 million (Q1 June 2022: RM33.0 million) largely from the net gain in foreign exchange, increase in net interest income of 31.5% amounting to RM68.4 million (Q1 June 2022: RM52.0 million) mainly from the loans, advances and financing portfolio and increase in writeback of impairment on loans, advances and financing and other financial assets of RM6.2 million to RM8.9 million (Q1 June 2022: RM2.7 million). Consequentially, the Bank recorded profit after taxation of RM70.2 million, an increase of 66.7% in the first quarter financial period ended 30 June 2023 (Q1 June 2022: RM42.1 million).

Total assets recorded an increase of 4.0% to RM25,569.2 million as at 30 June 2023 (31 March 2023: RM24,578.4 million). This was mainly attributed to the 16.4% increase in cash and short-term funds amounting to RM6,875.6 million (31 March 2023: RM5,909.2 million), 52.9% increase in derivative financial assets amounting to RM897.4 million (31 March 2023: RM586.9 million) and 0.7% increase in net loans, advances and financing amounting to RM15,269.4 million (31 March 2023: RM15,169.5 million). The increase was partially offset by the decrease of 20.3% in deposits and placements with banks and other financial institutions to RM1,567.7 million (31 March 2023: RM1,967.4 million).

The total liabilities recorded an increase of 4.5% to RM21,614.0 million as at 30 June 2023 (31 March 2023: RM20,691.7 million). This was largely due to the higher deposits and placements of banks and other financial institutions of 8.3% amounting to RM3,464.2 million (31 March 2023: RM3,199.1 million), increase in derivative financial liabilities of 50.7% amounting to RM766.9 million (31 March 2023: RM508.9 million) and increase in deposits from customers of 1.4% amounting to RM16,962.0 million (31 March 2023: RM16,727.8 million).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

12. Current Year Prospects

Malaysia's Gross Domestic Product ("GDP") in the first quarter of 2023 grew by 5.6 per cent (4Q 2022: 7.0 per cent). The growth was mainly driven by the improvement in domestic demand as economic activity and further improvement in the labour market conditions. Inbound tourism activities continued to recover, lifting services exports and partially offsetting the slower goods export growth, in addition to continued policy support from the government. The Malaysia's growth is projected to average 4.0 per cent to 5.0 per cent for 2023, anchored by the firm domestic demand.

Domestic demand continued to remain strong, underpinned by continued policy support such as minimum wage increase and cash transfer which provide additional lift to the economy and stronger private sector recovery supported by improving labour market conditions. Malaysia's exports remain supported by strong demand for electrical and electronic products and commodities.

Nevertheless, new challenges are emerging from global developments. These include faltering global growth, elevated inflation levels abroad prompting aggressive interest rate hikes in advanced economies which induced capital outflows and exchange rate depreciation. Taken together, these events have resulted in increased cost pressures for companies and households. The upside pressure on inflation continues to be contingent on domestic policy measures, development in the global commodity prices arising from geopolitical conflicts and strained supply chain.

In view of the above evolving developments and its implications on the overall outlook to domestic inflation and the economy, Bank Negara Malaysia ("BNM")'s Monetary Policy Committee ("MPC") maintains an accommodative stance of monetary policy towards supporting a sustainable economic growth and price stability. On 3 May 2023, BNM has raised its Overnight Policy Rate ("OPR") by 25 basis points to 3.00 per cent (pre-pandemic level) from 2.75 per cent. On 6 July 2023, the MPC maintained the OPR at 3.00 percent in the meeting, on the back that inflation is projected to trend lower in the second half of 2023. However, risks to the inflation outlook remain, subject to the degree of persistence in inflation, changes in domestic policy on subsidies and price controls as well as global commodity prices.

As the country's economy recovery continue to remain resilient amid the global conditions that are now compounded by regional and local factors, the Bank remains steadfast in building sustainable portfolio with inclusive growth. The Bank continues to maintain its business agenda with both Japanese and Non-Japanese clients while acknowledging the challenges ahead and shall continue to remain responsive to changing environment by adopting a prudent approach in managing costs.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

12. Current Year Prospects (Continued)

Islamic Finance Outlook

The Islamic Banking industry in Malaysia continues to grow in first quarter of 2023, whereby in the month of March 2023, total Islamic Banking assets has grown to RM1,073.3 billion which was contributed mainly by stand-alone Islamic Banks recording a total assets of RM1,049.4 billion (97.8%), followed by Islamic Banking Window ("IBW") operations with a total assets of RM23.9 billion (2.2%). This is an increase of 1.01% from fourth quarter of 2022's total assets of RM1,062.6 billion (stand-alone Islamic Banks' assets of RM1,038.0 billion and IBW assets of RM24.6 billion). Financing makes up the largest contribution at RM767.8 billion which is an increase of 1.37% from fourth quarter of 2022 of RM757.5 billion.

The Bank's IBW has commenced in January 2023, complementing the already operating International Currency Business Unit ("ICBU") business. IBW is opened for clients seeking financing through Ringgit denominated products with 4 financing products.

The Bank is currently working on the next phase of IBW to provide more Islamic Ringgit products covering Deposits, Treasury and Trade Finance products and services. This development of products will be done in stages. This will ensure the Bank's new and existing clients will be able to enjoy a more comprehensive products and services, which are competitive and relevant to meet their business needs and requirements. Notwithstanding this, the current economic scenario locally and abroad, plus the movement of OPR will have a direct impact on the demand for the Bank's products under ICBU and IBW.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

13. Cash and short-term funds

	30 June 2023 RM'000	31 March 2023 RM'000
Cash and balances with banks and other financial institutions	114,171	117,474
Money at call and deposit placements maturing within one month	6,763,992	5,794,282
	<u>6,878,163</u>	<u>5,911,756</u>
Less: Allowance for expected credit losses ("ECL")	(2,574)	(2,515)
	<u><u>6,875,589</u></u>	<u><u>5,909,241</u></u>

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	2,515	-	-	2,515
Charge to profit or loss				
- Increase in ECL	59	-	-	59
At 30 June 2023	<u>2,574</u>	<u>-</u>	<u>-</u>	<u>2,574</u>
At 1 April 2022	905	-	-	905
Charge to profit or loss				
- Increase in ECL	1,610	-	-	1,610
At 31 March 2023	<u>2,515</u>	<u>-</u>	<u>-</u>	<u>2,515</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****14. Deposits and placements with banks and other financial institutions**

	30 June 2023 RM'000	31 March 2023 RM'000
Money at call and deposit placements maturing more than one month	1,568,030	1,968,874
Less: Allowance for ECL	(341)	(1,521)
	<u>1,567,689</u>	<u>1,967,353</u>

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	1,521	-	-	1,521
Charge to profit or loss				
- Decrease in ECL	(1,180)	-	-	(1,180)
At 30 June 2023	<u>341</u>	<u>-</u>	<u>-</u>	<u>341</u>
At 1 April 2022	325	-	-	325
Charge to profit or loss				
- Increase in ECL	1,196	-	-	1,196
At 31 March 2023	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>1,521</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

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

	30 June 2023 RM'000	31 March 2023 RM'000
At fair value		
Negotiable Instruments of Deposits	400,999	502,348
Malaysian Government Securities	50,359	20,116
Malaysian Government Investment Issues	181,027	181,229
Bank Negara Malaysia Bills	99,746	-
	<u>732,131</u>	<u>703,693</u>

Movement in allowance for ECL on debt instruments measured at FVOCI

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	694	-	-	694
- Decrease in ECL	(292)	-	-	(292)
At 30 June 2023	<u>402</u>	<u>-</u>	<u>-</u>	<u>402</u>
At 1 April 2022	226	-	-	226
- Increase in ECL	468	-	-	468
At 31 March 2023	<u>694</u>	<u>-</u>	<u>-</u>	<u>694</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 and credit to other comprehensive income.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

16. Loans, advances and financing

	30 June 2023 RM'000	31 March 2023 RM'000
(a) By type:		
<u>At amortised cost:</u>		
Overdraft	3,320	2,063
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	3,585,310	3,477,449
- Factoring receivables	107,254	199,087
- Other term loans / Islamic term financing *	6,882,241	6,733,159
Trade bills discounted	64,802	14,984
Revolving credits / Revolving credit-I *	4,729,306	4,853,185
Gross loans, advances and financing	<u>15,372,233</u>	<u>15,279,927</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(5,618)	(6,309)
- Lifetime ECL not credit impaired (Stage 2)	(43,548)	(53,063)
- Lifetime ECL credit impaired (Stage 3)	(53,621)	(51,065)
Net loans, advances and financing	<u><u>15,269,446</u></u>	<u><u>15,169,490</u></u>
* There was reclassification from "Revolving credits" to "Other term loans" during the financial period to better reflect the Loans, advances and financing by type.		
(b) By geographical distribution:		
Malaysia	13,899,045	13,841,777
Other countries:		
- Australia	222,470	211,874
- United States of America	474,045	453,424
- Japan	174,166	178,957
- Hong Kong	53,621	51,065
- Cayman Islands	182,382	200,478
- Netherlands	187,379	177,114
- United Kingdom	179,125	165,238
Gross loans, advances and financing	<u><u>15,372,233</u></u>	<u><u>15,279,927</u></u>
(c) By type of customer:		
Domestic non-bank financial institutions	4,636,629	4,514,972
Domestic business enterprises	10,487,710	10,542,469
Foreign entities	232,746	222,486
Domestic other entities	15,148	-
Gross loans, advances and financing	<u><u>15,372,233</u></u>	<u><u>15,279,927</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

16. Loans, advances and financing (continued)

	30 June 2023 RM'000	31 March 2023 RM'000
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	1,029,396	1,055,269
Variable rate		
- Cost-plus	5,652,213	5,825,500
- Other variable rates	8,690,624	8,399,158
Gross loans, advances and financing	<u>15,372,233</u>	<u>15,279,927</u>
(e) By sector:		
Primary agriculture	13,002	10,005
Mining and Quarrying	1,006,024	980,532
Manufacturing	2,401,265	2,627,610
Electricity, gas and water	589,805	556,402
Construction	232,423	92,923
Wholesale and retail trade, and restaurants and hotels	1,198,569	1,237,449
Transport, storage and communication	1,825,950	1,770,388
Finance, insurance and business services	5,639,630	5,456,074
Real estate	1,886,826	1,943,060
Education, health and other services	578,739	605,484
Gross loans, advances and financing	<u>15,372,233</u>	<u>15,279,927</u>
(f) By economic purpose:		
Purchase of securities	182,382	200,478
Purchase of non-residential property		
- Purchase of land	99,422	99,387
Purchase of fixed assets other than land and building	332,492	332,387
Construction	1,058,223	1,090,757
Working capital	6,089,612	6,346,534
Other purpose	7,610,102	7,210,384
Gross loans, advances and financing	<u>15,372,233</u>	<u>15,279,927</u>

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

16. Loans, advances and financing (continued)

	30 June 2023 RM'000	31 March 2023 RM'000
(g) By residual contractual maturity:		
Maturing within one year	6,431,154	6,053,077
One year to three years	3,683,018	3,888,397
Three years to five years	4,123,448	4,285,659
More than five years	1,134,613	1,052,794
Gross loans, advances and financing	<u>15,372,233</u>	<u>15,279,927</u>

(h) Movements in credit-impaired loans, advances and financing are as follows:

	30 June 2023 RM'000	31 March 2023 RM'000
At 1 April 2023 / 1 April 2022	51,065	55,570
Currency translation differences	2,556	-
Other adjustments	-	(9,301)
Impaired during the financial year	-	4,796
At 30 June 2023 / 31 March 2023	<u>53,621</u>	<u>51,065</u>
Less: Lifetime ECL credit impaired (Stage 3)	<u>(53,621)</u>	<u>(51,065)</u>
Net impaired loans, advances and financing	<u>-</u>	<u>-</u>
Gross credit-impaired loans and financing as a percentage of gross loans, advances and financing	<u>0.35%</u>	<u>0.33%</u>

(i) Credit-impaired loans, advances and financing by geographical distribution:

Hong Kong	<u>53,621</u>	<u>51,065</u>
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(j) Credit-impaired loans, advances and financing by sector:

Wholesale and retail trade, and restaurants and hotels	<u>53,621</u>	<u>51,065</u>
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(k) Credit-impaired loans, advances and financing by economic purpose:

Other purpose	<u>53,621</u>	<u>51,065</u>
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

16. Loans, advances and financing (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	9,487,081	5,741,781	51,065	15,279,927
Transfer to 12-month ECL (Stage 1)	8,331	(8,331)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(1,000,187)	1,000,187	-	-
Loans, advances and financing derecognised	(590,073)	(570,436)	-	(1,160,509)
New loans, advances and financing originated or purchased	698,719	177,450	-	876,169
Other adjustments	299,222	74,868	2,556	376,646
At 30 June 2023	<u>8,903,093</u>	<u>6,415,519</u>	<u>53,621</u>	<u>15,372,233</u>
At 1 April 2022	10,539,396	3,931,835	55,570	14,526,801
Transfer to 12-month ECL (Stage 1)	2,008,356	(2,008,356)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(4,949,560)	4,949,560	-	-
Loans, advances and financing derecognised	(4,856,920)	(2,501,297)	(6,810)	(7,365,027)
New loans, advances and financing originated or purchased	6,667,293	1,317,791	2,305	7,987,389
Other adjustments	78,516	52,248	-	130,764
At 31 March 2023	<u>9,487,081</u>	<u>5,741,781</u>	<u>51,065</u>	<u>15,279,927</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

16. Loans, advances and financing (continued)

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

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	6,309	53,063	51,065	110,437
Transfer to 12-month ECL (Stage 1)	-	-	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(738)	738	-	-
Loans, advances and financing derecognised	(779)	(2,024)	-	(2,803)
New loans, advances and financing originated or purchased	2,234	174	-	2,408
Changes due to change in credit risk	(1,408)	(8,403)	2,556	(7,255)
At 30 June 2023	<u>5,618</u>	<u>43,548</u>	<u>53,621</u>	<u>102,787</u>
At 1 April 2022	4,706	29,979	55,218	89,903
Transfer to 12-month ECL (Stage 1)	16,450	(16,450)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(1,553)	1,553	-	-
Loans, advances and financing derecognised	(1,881)	(4,384)	(6,810)	(13,075)
New loans, advances and financing originated or purchased	1,897	2,941	2,305	7,143
Changes due to change in credit risk	(13,310)	39,424	352	26,466
At 31 March 2023	<u>6,309</u>	<u>53,063</u>	<u>51,065</u>	<u>110,437</u>

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17. Other assets

	30 June 2023 RM'000	31 March 2023 RM'000
Interest receivable	26,490	26,994
Amount due from related corporations	9,001	145
Cash collateral placements	29,274	11,050
Other receivables	237	247
Deposits	1,908	1,877
Prepayments	735	189
	<u>67,645</u>	<u>40,502</u>
Less: Allowance for ECL	(16)	(13)
	<u><u>67,629</u></u>	<u><u>40,489</u></u>

Movement in allowance for ECL on other assets

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	13	-	-	13
Charge to profit or loss				
- Increase in ECL	3	-	-	3
At 30 June 2023	<u>16</u>	<u>-</u>	<u>-</u>	<u>16</u>
At 1 April 2022	28	-	-	28
Charge to profit or loss				
- Decrease in ECL	(15)	-	-	(15)
At 31 March 2023	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>

18. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Sections 26(2)(c) and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****19. Deposits from customers**

	30 June 2023 RM'000	31 March 2023 RM'000
(a) By type of deposits:		
Demand deposits	2,567,663	2,235,810
Fixed deposits	11,717,509	11,504,049
Short-term deposits	2,676,793	2,987,960
	<u>16,961,965</u>	<u>16,727,819</u>

The maturity structure of fixed deposits and short-term deposits is as follows:

Due within six months	6,554,559	6,518,122
Six months to one year	1,784,892	1,901,511
One year to three years	2,352,374	2,386,673
Three years to five years	2,646,420	2,673,276
Five years to ten years	631,492	611,347
Ten years and above	424,565	401,080
	<u>14,394,302</u>	<u>14,492,009</u>

(b) By type of customers:

Domestic non-bank financial institutions	483,836	463,875
Domestic business enterprises	7,581,770	7,760,043
Branch of immediate holding corporation	8,212,121	7,884,512
Foreign non-bank entities	202,672	170,004
Domestic other entities	4,320	4,301
Government	477,246	445,084
	<u>16,961,965</u>	<u>16,727,819</u>

20. Deposits and placements of banks and other financial institutions

	30 June 2023 RM'000	31 March 2023 RM'000
Licensed Malaysian banks	200,000	753,424
Foreign banks		
- Immediate holding corporation	3,264,234	2,445,632
	<u>3,464,234</u>	<u>3,199,056</u>

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21. Other liabilities

	30 June 2023 RM'000	31 March 2023 RM'000
Interest payable	14,569	14,276
Amounts due to immediate holding corporation and related corporations/companies ^	108,579	88,041
Cash collateral placements *	235,160	91,442
Other payables	26,613	28,358
Accruals	21,642	19,082
	<u>406,563</u>	<u>241,199</u>

^ The amounts due to immediate holding corporation and related corporations / companies are unsecured, interest free and repayable on demand.

* The cash collaterals are received in respect of derivative balances pursuant to agreements in accordance with ISDA and CSA entered into with respective counterparties.

22. Provision for credit commitments and contingencies

	30 June 2023 RM'000	31 March 2023 RM'000
Provision for credit commitments and contingencies	<u>7,637</u>	<u>7,481</u>

Movement in allowance for ECL on credit commitments and contingencies

	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
At 1 April 2023	365	7,116	-	7,481
Charge to profit or loss				
- (Decrease) / Increase in ECL	(78)	234	-	156
At 30 June 2023	<u>287</u>	<u>7,350</u>	<u>-</u>	<u>7,637</u>
At 1 April 2022	1,667	4,756	-	6,423
Charge to profit or loss				
- (Decrease) / Increase in ECL	(1,302)	2,360	-	1,058
At 31 March 2023	<u>365</u>	<u>7,116</u>	<u>-</u>	<u>7,481</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****23. Interest income**

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income	153,715	64,549	153,715	64,549
- Financing income	16,448	8,675	16,448	8,675
Money at call and deposit placements with banks and other financial institutions	80,866	21,553	80,866	21,553
Debt instruments measured at FVOCI	5,684	2,305	5,684	2,305
	<u>256,713</u>	<u>97,082</u>	<u>256,713</u>	<u>97,082</u>

24. Interest expense

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	153,928	41,502	153,928	41,502
Deposits and placements of banks and other financial institutions	34,385	3,469	34,385	3,469
Lease liabilities	35	70	35	70
	<u>188,348</u>	<u>45,041</u>	<u>188,348</u>	<u>45,041</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****25. Other operating income**

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Fee and commission income				
- Service charges and guarantee fees	499	315	499	315
- Loan related fees	2,864	3,243	2,864	3,243
- Commitment fees	626	1,155	626	1,155
	<u>3,989</u>	<u>4,713</u>	<u>3,989</u>	<u>4,713</u>
Realised gain from derivative financial instruments	<u>10,543</u>	<u>6,840</u>	<u>10,543</u>	<u>6,840</u>
Unrealised loss on revaluation of derivatives	<u>(5,168)</u>	<u>(192)</u>	<u>(5,168)</u>	<u>(192)</u>
Unrealised loss on hedging activities	<u>(2,345)</u>	<u>(10,246)</u>	<u>(2,345)</u>	<u>(10,246)</u>
Foreign exchange, net gain	<u>32,237</u>	<u>22,415</u>	<u>32,237</u>	<u>22,415</u>
Other income				
- Management fees	8,923	7,022	8,923	7,022
- Rental of fixed assets	194	224	194	224
- Miscellaneous income	1,356	2,263	1,356	2,263
	<u>10,473</u>	<u>9,509</u>	<u>10,473</u>	<u>9,509</u>
	<u>49,729</u>	<u>33,039</u>	<u>49,729</u>	<u>33,039</u>

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26. Other operating expenses

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Personnel costs				
Salaries, allowances and bonuses	14,826	11,513	14,826	11,513
Employees' provident fund contributions	2,189	1,704	2,189	1,704
Staff training expenses	14	21	14	21
Staff welfare expenses	13	-	13	-
Other personnel expenses	1,544	1,315	1,544	1,315
	<u>18,586</u>	<u>14,553</u>	<u>18,586</u>	<u>14,553</u>
Establishment costs				
Depreciation - Plant and equipment	986	1,130	986	1,130
Depreciation - Right-of-use assets	1,044	1,165	1,044	1,165
Repair and maintenance	351	67	351	67
Other establishment expenses	3,593	3,864	3,593	3,864
	<u>5,974</u>	<u>6,226</u>	<u>5,974</u>	<u>6,226</u>
Marketing expenses				
Advertisement and publicity	41	42	41	42
Other marketing expenses	26	23	26	23
	<u>67</u>	<u>65</u>	<u>67</u>	<u>65</u>
Administration and general expenses				
Auditors' remuneration				
- Statutory audit	100	91	100	91
Professional fees	184	1,185	184	1,185
Communication expenses	142	55	142	55
Management fees	6,704	6,476	6,704	6,476
Licence fees and stamp duties	38	38	38	38
Non-executive directors' fees and allowances	257	217	257	217
Plant and equipment written off	-	1,484	-	1,484
Other administration and general expenses	2,710	2,611	2,710	2,611
	<u>10,135</u>	<u>12,157</u>	<u>10,135</u>	<u>12,157</u>
	<u>34,762</u>	<u>33,001</u>	<u>34,762</u>	<u>33,001</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023****27. Writeback of impairment on loans, advances and financing**

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<u>(Writeback of) / Allowance for ECL</u>				
Loans, advances and financing	(7,650)	(503)	(7,650)	(503)
Provision for credit commitments and contingencies	156	(2,047)	156	(2,047)
	<u>(7,494)</u>	<u>(2,550)</u>	<u>(7,494)</u>	<u>(2,550)</u>

28. Writeback of impairment on other financial assets

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
<u>(Writeback of) / Allowance for ECL</u>				
Cash and short-term funds	59	43	59	43
Deposits and placements with banks and other financial institutions	(1,180)	(109)	(1,180)	(109)
Debt instruments measured at FVOCI	(292)	(37)	(292)	(37)
Other assets	3	(25)	3	(25)
	<u>(1,410)</u>	<u>(128)</u>	<u>(1,410)</u>	<u>(128)</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

29. Use of Financial Instruments

Interest / profit 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 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		
30 June 2023								
Assets								
Cash and short-term funds	6,763,992	-	-	-	-	111,597	-	6,875,589
Deposits and placements with banks and other financial institutions	-	1,162,816	405,214	-	-	(341)	-	1,567,689
Debt instruments measured at FVOCI	149,769	270,918	160,133	151,311	-	-	-	732,131
Loans, advances and financing								
- non-impaired	2,734,691	912,905	2,783,556	7,752,846	1,134,614	(49,166)	-	15,269,446
- impaired	-	-	-	53,621	-	(53,621)	-	-
Derivative financial assets	-	-	26,714	5,927	-	-	864,758	897,399
Other assets [^]	44,978	5,595	5,265	-	-	11,056	-	66,894
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	4,300	-	4,300
Total assets	9,693,430	2,352,234	3,380,882	7,963,705	1,134,614	23,825	864,758	25,413,448

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

[^] Other assets exclude prepayments as these items are classified as non-financial assets.

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29. Use of Financial Instruments (continued)

Interest / profit rate risk (continued)

	Non-trading book					Non- interest bearing RM'000	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			
30 June 2023								
<u>Liabilities</u>								
Deposits from customers	4,932,495	823,173	2,583,783	4,998,794	1,056,056	2,567,664	-	16,961,965
Deposits and placements of banks and other financial institutions	1,532,519	398,918	1,522,254	-	-	10,543	-	3,464,234
Bills and acceptances payable	-	-	1,195	-	-	-	-	1,195
Derivative financial liabilities	-	11,548	-	-	-	-	755,368	766,916
Other liabilities *	10,719	11,692	58,287	19,857	8,180	253,076	-	361,811
Lease liabilities	96	191	861	2,296	-	-	-	3,444
Total liabilities	6,475,829	1,245,522	4,166,380	5,020,947	1,064,236	2,831,283	755,368	21,559,565
On balance sheet interest rate gap	3,217,601	1,106,712	(785,498)	2,942,758	70,378	(2,807,458)	109,390	3,853,883
Off balance sheet interest rate gap	-	2,354,101	(689,409)	(1,445,714)	(218,978)	-	-	-
Total interest rate gap	3,217,601	3,460,813	(1,474,907)	1,497,044	(148,600)	(2,807,458)	109,390	3,853,883

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

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29. Use of Financial Instruments (continued)

Interest / profit rate risk (continued)

	Non-trading book					Non- interest bearing # RM'000	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			
31 March 2023								
<u>Assets</u>								
Cash and short-term funds	5,794,282	-	-	-	-	114,959	-	5,909,241
Deposits and placements with banks and other financial institutions	-	1,534,740	434,134	-	-	(1,521)	-	1,967,353
Debt instruments measured at FVOCI	100,740	461,665	80,424	60,864	-	-	-	703,693
Loans, advances and financing								
- non-impaired	6,862,357	7,130,505	1,132,005	103,995	-	(59,372)	-	15,169,490
- impaired	-	-	-	51,065	-	(51,065)	-	-
Derivative financial assets	-	159	-	4,430	-	-	582,360	586,949
Other assets [^]	22,179	10,716	5,170	-	-	2,235	-	40,300
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	45,000	-	45,000
Total assets	12,779,558	9,137,785	1,651,733	220,354	-	50,236	582,360	24,422,026

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

[^] Other assets exclude prepayments as these items are classified as non-financial assets.

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29. Use of Financial Instruments (continued)

Interest / profit rate risk (continued)

	Non-trading book					Non- interest bearing RM'000	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			
31 March 2023								
<u>Liabilities</u>								
Deposits from customers	5,159,990	1,172,389	2,087,255	5,059,949	1,012,426	2,235,810	-	16,727,819
Deposits and placements of banks and other financial institutions	1,100,189	161,000	1,865,431	66,230	-	6,206	-	3,199,056
Bills and acceptances payable	-	-	1,265	-	-	-	-	1,265
Derivative financial liabilities	806	2	112	12,261	-	-	495,768	508,949
Other liabilities *	11,844	3,581	45,667	26,167	4,242	102,520	-	194,021
Lease liabilities	354	708	3,191	237	-	-	-	4,490
Total liabilities	6,273,183	1,337,680	4,002,921	5,164,844	1,016,668	2,344,536	495,768	20,635,600
On balance sheet interest rate gap	6,506,375	7,800,105	(2,351,188)	(4,944,490)	(1,016,668)	(2,294,300)	86,592	3,786,426
Off balance sheet interest rate gap	-	2,684,364	(1,019,409)	(1,445,977)	(218,978)	-	-	-
Total interest rate gap	6,506,375	10,484,469	(3,370,597)	(6,390,467)	(1,235,646)	(2,294,300)	86,592	3,786,426

* Other liabilities exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

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30. Use of Financial Instruments (continued)

Interest / profit rate risk (continued)

	30 June 2023		31 March 2023	
	MYR % p.a.	USD % p.a.	MYR % p.a.	USD % p.a.
Financial assets				
Cash and short-term funds	2.98	5.22	2.75	4.93
Deposits and placements with banks and other financial institutions	3.45	5.51	3.61	5.18
Loans, advances and financing	4.52	6.27	4.41	5.91
Financial liabilities				
Deposits from customers	3.12	5.34	2.97	4.90
Deposits and placements of banks and other financial institutions	3.04	4.73	2.85	4.50

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31. Credit Exposures to Connected Parties

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	30 June 2023 RM'000	31 March 2023 RM'000
Aggregate value of outstanding credit exposures to connected parties	395,071	258,775
As a percentage of total credit exposures	1.19%	0.82%

There are currently no exposures to connected parties which are classified as impaired.

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32. 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 2023 RM'000	31 March 2023 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	1,288,107	1,288,107
Other reserves	144,221	145,967
	<u>3,884,933</u>	<u>3,886,679</u>
Less: 55% of fair value reserve	(358)	(1,318)
Regulatory reserve	(143,570)	(143,570)
Total Common Equity Tier 1 (CET 1) and Tier 1 Capital	<u>3,741,005</u>	<u>3,741,791</u>
<u>Tier 2 capital</u>		
Expected credit losses	60,136	71,596
Regulatory reserve *	133,011	113,958
Tier 2 Capital	<u>193,147</u>	<u>185,554</u>
Total capital base	<u><u>3,934,152</u></u>	<u><u>3,927,345</u></u>
<u>Capital ratios</u>		
CET 1 and Tier 1 capital ratio	22.670%	23.563%
Total capital ratio	23.840%	24.731%

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

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

	30 June 2023 RM'000	31 March 2023 RM'000
Credit risk	15,451,770	14,844,282
Market risk	314,869	319,711
Operational risk	735,469	716,237
Total risk-weighted assets	<u><u>16,502,108</u></u>	<u><u>15,880,230</u></u>

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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:

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted assets * RM'000
30 June 2023			
Transaction-related contingent items	482,423	235,919	235,919
Short-term self-liquidating trade-related contingencies	575,554	113,845	113,845
Foreign exchange related contracts:			
- Less than one year	10,157,123	412,840	286,412
- One year to less than five years	10,910,953	1,615,360	956,357
- Five years and above	584,260	118,483	93,232
Interest / Profit rate related contracts:			
- Less than one year	1,019,409	3,627	3,031
- One year to less than five years	1,445,714	83,241	50,371
- Five years and above	218,978	41,266	29,392
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,162,717	232,428	190,229
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	9,775,569	4,886,823	4,776,681
Total	36,332,700	7,743,832	6,735,469

* 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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33. Commitments and contingencies (continued)

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

* 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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34. The operations of International Currency Business Unit (ICBU)

The Bank had obtained approval from BNM to set up an International Currency Business Unit ("ICBU") to promote Islamic Banking business. The ICBU is permitted to conduct a wide range of Islamic banking business in international currencies other than Malaysian Ringgit and the currency of Israel as per the Guidelines on the Establishment of International Currency Business Unit issued by BNM.

The following breakdown shows the Bank's financing and advances and deposits from customers which are conducted through the ICBU.

(a) Financing and advances

	30 June 2023 RM'000	31 March 2023 RM'000
(i) By type:		
<u>At amortised cost:</u>		
Term financing		
- Syndicated Islamic financing	551,345	532,309
- Islamic term financing	434,814	426,216
Revolving credit-i	663,327	657,411
Gross financing and advances	<u>1,649,486</u>	<u>1,615,936</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(374)	(538)
- Lifetime ECL not credit impaired (Stage 2)	(5,720)	(5,789)
Net financing and advances	<u><u>1,643,392</u></u>	<u><u>1,609,609</u></u>
(ii) By contract:		
Murabahah	<u>1,649,486</u>	<u>1,615,936</u>
Gross financing and advances	<u><u>1,649,486</u></u>	<u><u>1,615,936</u></u>

(b) Deposits from customers

	30 June 2023 RM'000	31 March 2023 RM'000
(i) By type and contract:		
<u>At amortised cost:</u>		
Demand deposits - Qard	<u>380</u>	<u>11,325</u>
	<u><u>380</u></u>	<u><u>11,325</u></u>

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35. The operations of Islamic Banking Window

Islamic Banking Window ("IBW") was launched on 10 January 2023 after obtaining BNM approval to expand Islamic businesses in Malaysian Ringgit. This initiative is part of the Bank's strategy to grow Shariah compliant assets and complement ICBU offerings in Malaysia market. During the financial year, IBW offers financing products and the Bank embarks in expanding more products to serve customers better. All Islamic operations are supervised by the independent Shariah Committee and will be reported on annual basis.

The financial statement as at 30 June 2023 is summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30 June 2023 RM'000	31 March 2023 RM'000
Assets			
Cash and short-term funds	(a)	30,000	30,000
Total assets		<u>30,000</u>	<u>30,000</u>
Liabilities and islamic banking funds			
Other liabilities	(b)	618	383
Total liabilities		<u>618</u>	<u>383</u>
Capital funds		<u>29,382</u>	<u>29,617</u>
Islamic banking funds		<u>29,382</u>	<u>29,617</u>
Total liabilities and islamic banking funds		<u>30,000</u>	<u>30,000</u>

The operations of Islamic Banking is based on internal funding arrangement through Wakalah. Islamic Banking Window provides financing in Ringgit Malaysia through an internal Wakalah (agency) arrangement with Conventional banking. The financing is reported at the entity level. At the time of this report, the Wakalah amount is nil.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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35. The operations of Islamic Banking Window (continued)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	Note	1st Quarter Ended		Three Months Ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
				RM'000	RM'000
Other operating expenses	(c)	(235)	-	(235)	-
Loss before taxation		(235)	-	(235)	-
Tax expense		-	-	-	-
Loss for the year		(235)	-	(235)	-

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	Capital funds RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2023	30,000	(383)	29,617
Capital contribution	-	-	-
Loss for the year	-	(235)	(235)
At 30 June 2023	30,000	(618)	29,382
At 1 April 2022	-	-	-
Capital contribution	-	-	-
Loss for the year	-	-	-
At 30 June 2022	-	-	-

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35. The operations of Islamic Banking Window (continued)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023

	30 June 2023 RM'000	30 June 2022 RM'000
Cash flows from operating activities		
Loss before taxation	(235)	-
Operating loss before working capital changes	(235)	-
Increase in operating liabilities:		
Other liabilities	235	-
Net cash from operating activities	-	-
Net cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	30,000	-
Cash and cash equivalents at end of the year	30,000	-

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

35. The operations of Islamic Banking Window (continued)

Basis of Preparation

The financial statements of the Islamic Banking business have been prepared on the basis consistent with that of the Bank as disclosed in Note 1.

(a) Cash and short-term funds

	30 June 2023 RM'000	31 March 2023 RM'000
Cash and balances with banks and other financial institutions	30,000	30,000

(b) Other liabilities

	30 June 2023 RM'000	31 March 2023 RM'000
Amounts due to conventional banking	618	383

(c) Other operating expenses

	1st Quarter Ended		Three Months Ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Salaries, allowances and bonuses	235	-	235	-

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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 2023 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 latest Revised Guidelines on Financial Reporting issued by Bank Negara Malaysia.

[Signed]

Hiroshi Okawa
Chief Executive Officer

Date: 28 July 2023