

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

[Company No. 201001042446 (926374-U)]

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2022**

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 31 DECEMBER 2022

		As at 31 December 2022 RM'000	As at 31 March 2022 RM'000
	Note		
Assets			
Cash and short-term funds	13	4,008,209	4,720,124
Deposits and placements with banks and other financial institutions	14	1,831,953	546,235
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	672,703	485,992
Loans, advances and financing	16	15,840,925	14,436,898
Derivative financial assets		652,159	396,492
Other assets	17	52,669	107,698
Statutory deposits with Bank Negara Malaysia		45,000	-
Plant and equipment		8,799	12,102
Right-of-use assets		4,684	8,743
Tax recoverable		155,695	130,786
Total assets		23,272,796	20,845,070
Liabilities			
Deposits from customers	18	15,988,316	15,729,117
Deposits and placements of banks and other financial institutions	19	2,669,667	943,649
Bills and acceptances payable		1,084	1,487
Derivative financial liabilities		532,138	344,868
Other liabilities	20	248,868	120,396
Lease liabilities		5,370	8,536
Provision for credit commitments and contingencies	21	6,527	6,423
Deferred tax liabilities		2,814	5,326
Total liabilities		19,454,784	17,159,802
Equity			
Share capital		2,452,605	2,452,605
Reserves		1,365,407	1,232,663
Total equity attributable to owners of the Bank		3,818,012	3,685,268
Total liabilities and equity		23,272,796	20,845,070
Commitments and contingencies	32	33,308,170	30,883,520

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Interest income	22	206,947	75,695	458,121	232,664
Interest expense	23	(137,933)	(25,587)	(274,069)	(79,167)
Net interest income		69,014	50,108	184,052	153,497
Other operating income	24	42,348	42,034	122,076	124,901
Net operating income		111,362	92,142	306,128	278,398
Other operating expenses	25	(34,779)	(29,533)	(100,935)	(86,195)
Operating profit		76,583	62,609	205,193	192,203
(Allowance for)/ Writeback of impairment on loans, advances and financing	26	(15,445)	(5,548)	(26,423)	14,044
Writeback of impairment on other financial assets	27	325	1,455	931	6,613
Profit before taxation		61,463	58,516	179,701	212,860
Tax expense		(21,564)	(23,863)	(45,696)	(60,873)
Profit after taxation		39,899	34,653	134,005	151,987
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		1,072	367	(1,148)	910
- Debt instruments measured at FVOCI - increase/ (decrease) in allowance for impairment		11	(142)	(113)	(623)
Total comprehensive income for the financial period		40,982	34,878	132,744	152,274
Basic earnings per ordinary share (sen)		1.62	1.42	5.46	6.20

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

	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 2022	2,452,605	143,570	2,125	1,086,968	3,685,268
Profit for the period	-	-	-	134,005	134,005
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(1,261)	-	(1,261)
Total comprehensive income for the period	-	-	(1,261)	134,005	132,744
At 31 December 2022	2,452,605	143,570	864	1,220,973	3,818,012
At 1 April 2021	2,452,605	93,220	1,944	959,944	3,507,713
Profit for the period	-	-	-	151,987	151,987
Fair value change and increase in allowance for impairment of debt instruments measured at FVOCI	-	-	287	-	287
Total comprehensive income for the period	-	-	287	151,987	152,274
Transfer to regulatory reserve	-	34,682	-	(34,682)	-
At 31 December 2021	2,452,605	127,902	2,231	1,077,249	3,659,987

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

	31 December 2022 RM'000	31 December 2021 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	179,701	212,860
Adjustments for non-cash items	23,302	(4,201)
Operating profit before working capital changes	<u>203,003</u>	<u>208,659</u>
Changes in working capital:		
Net changes in operating assets	(2,761,611)	(1,181,833)
Net changes in operating liabilities	2,114,461	454,583
Net cash used in operating activities	<u>(444,147)</u>	<u>(518,591)</u>
Tax paid	(72,754)	(56,877)
Net cash used in operating activities	<u>(516,901)</u>	<u>(575,468)</u>
Net cash used in investing activities	(191,734)	(347,759)
Net cash used in financing activities	<u>(3,827)</u>	<u>(4,079)</u>
Net decrease in cash and cash equivalents during the financial period	(712,462)	(927,306)
Cash and cash equivalents at beginning of the financial period	4,721,029	4,344,248
Cash and cash equivalents at end of the financial period	<u>4,008,567</u>	<u>3,416,942</u>
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	92,957	99,195
Money at call and deposit placements maturing within one month	3,915,610	3,317,747
	<u>4,008,567</u>	<u>3,416,942</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

1. Basis of preparation

The unaudited condensed interim financial statements for the third quarter and financial period ended 31 December 2022 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 2022. 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 2022.

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 2022, 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 2022:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 3, *Business Combinations*, MFRS 9, *Financial Instruments*, MFRS 16, *Lease*, MFRS 116, *Property, Plant and Equipment*, MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets* and MFRS 141, *Agriculture*.

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 31 DECEMBER 2022

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 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*

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 2022 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 third quarter and financial period ended 31 December 2022.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 third quarter and financial period ended 31 December 2022.

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 third quarter and financial period ended 31 December 2022.

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the third quarter and financial period ended 31 December 2022.

7. Dividend

No dividend was paid during the third quarter and financial period ended 31 December 2022.

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 third quarter and financial period ended 31 December 2022.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

11. Review of Performance

3rd quarter results ended 31 December 2022

For the third quarter ended 31 December 2022, the Bank registered an operating profit of RM76.6 million, an increase of 22.4% (Q3 Dec 2021: RM62.6 million). The Bank's profit before taxation increased by 5.1% to RM61.5 million (Q3 Dec 2021: RM58.5 million) and profit after taxation increased by 15% to RM39.9 million in the quarter under review (Q3 Dec 2021: RM34.7 million).

The increase was mainly attributed to the net interest income of 37.7% amounting to RM69 million (Q3 Dec 2021: RM50.1 million) and was partially offset by the higher allowance of impairment on loans, advances & financing and other financial assets by 269.4% to RM15.1 million (Q3 Dec 2021: RM4 million).

Nine months financial results ended 31 December 2022

For the nine months financial period ended 31 December 2022, the Bank registered an operating profit of RM205.2 million, an increase of 6.8% (9 months ended Dec 2021: RM 192.2 million). The Bank recorded a profit before taxation of RM179.7 million, a decrease of 15.6% (9 months ended Dec 2021: RM212.9 million). Consequentially, profit after taxation has decreased by 11.8% to RM134 million (9 months ended Dec 2021: RM152 million).

The decrease was mainly attributed to the allowance for impairment on loans, advances and financing amounting to RM26.4 million (9 months ended Dec 2021: writeback of impairment of RM14 million), whereby the increase in impairment allowance was partly contributed by the additional Management Overlay arising from inclusion of customers under the identified sectors to be impacted by the Ukraine-Russia conflict where the credit rating of the affected customers were downgraded by 1 notch for the application of Management Overlay. Nonetheless, this was partially offset by the increase in the net interest income of 19.9% to RM184.1 million (9 months ended Dec 2021: RM153.5 million).

Total assets recorded an increase of 11.6% to RM23,273 million as at 31 December 2022 (31 March 2022: RM20,845 million). This was mainly attributed to the 9.7% increase in net loans, advances and financing amounting to RM15,841 million (31 March 2022: RM14,437 million) and 235.5% increase in deposits and placements with banks and other financial institutions amounting to RM1,832 million (31 March 2022: RM546 million).

The total liabilities recorded an increase of 13.4% to RM19,455 million as at 31 December 2022 (31 March 2022: RM17,160 million). This was largely due to higher deposits and placements of banks and other financial institutions of 182.8% amounting to RM2,670 million (31 March 2022: RM944 million) and higher deposits from customers of 1.6% amounting to RM15,988 million (31 March 2022: RM15,729 million).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

12. Current Year Prospects

Malaysia's Gross Domestic Product ("GDP") in the third quarter of 2022 grew by 14.2 per cent (2Q 2022: 8.9 per cent). The strength in the economic growth was reflective of the normalising of economic activity as the country moved towards transitioning to endemicity and reopened international borders, the recovery of inbound tourism lent further support to the economic activity.

Domestic demand continued to remain strong, underpinned by the steady recovery in labour market conditions and targeted policy measures which provide further support to economic activity and aggregate demand. Malaysia's exports remain supported by strong demand for electrical and electronic products as well as growth in the services and manufacturing sectors.

Nevertheless, challenges are intensifying due to external and domestic factors, such as global economic slowdown, inflation abroad prompting an increase in interest rates inducing capital outflows, exchange rate depreciation and households lowering consumption. The upside pressure on inflation continues to be contingent on domestic policy measures, development in the global commodity prices arising from geopolitical conflicts and prolonged supply chain disruptions.

Bank Negara Malaysia ("BNM") has maintained its full-year GDP growth forecast for Malaysia to between 4.0 per cent and 5.0 per cent for 2022. The Malaysian economy will continue to be supported by firm domestic demand amid continued improvements in the labour market. Growth will be supported by the increase in economic activities and also benefit from the realisation of large infrastructure projects as well as higher tourist arrivals. In addition, the strength in global demand will continue to support export growth.

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 November 2022, BNM has raised its Overnight Policy Rate (OPR) by 25 basis points to 2.75 per cent from 2.50 per cent which was the fourth consecutive 25 basis points of OPR hike in year 2022 (this followed a 25 basis points hike on 11 May 2022, 6 July 2022, and 8 September 2022 previously), bringing year-to-date increase to 100 basis points and it inched closer to its pre-pandemic level of 3.00 per cent.

With the country's economic recovery continue to remain on track, providing supportive environment for businesses, the Bank remains steadfast in building sustainable portfolio with inclusive growth and focus on strengthening its business resilience and adopt prudent approach in managing cost.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

12. Current Year Prospects (Continued)

Islamic Finance Outlook

The Islamic Banking industry in Malaysia continues to grow in Q4 2022, whereby in the month of November 2022, total Islamic Banking assets has surpassed the RM1.0 trillion mark (RM1,046.8 billion) which was contributed mainly by stand-alone Banks recording a total assets of RM1,022.9 billion (97.7%), followed by Islamic Window Banking operations with a total assets of RM23.9 billion (2.3%). This is an increase of 2.7% from Q3 2022's total assets of RM1,018.5 billion (stand-alone Banks' assets of RM994.4 billion and Islamic window assets of RM24.1 billion). Financing makes up the largest contribution at RM757.0 billion which is an increase of 2.1% from Q3 2022 of RM741.0 billion.

Evidenced from the increasing demand for Islamic Ringgit facility, the Bank has decided as part of its strategy to provide competitive products and services to commence its Islamic Banking Window operations ("IBW"), which is expected to go-live by early January 2023. IBW operations will be complementing the already operating International Currency Business Unit ("ICBU") business and will be able to cater for the ever-growing demand and focus on the Environment, Social & Governance ("ESG") needs of our clients. This is parallel with Bank Negara Malaysia's Value Base Intermediation initiative as well as SMBC Group Net Zero 2030 goals towards sustainability. Our initial phase of IBW will be focusing on funding products as part of our offering.

Post launch of IBW Phase 1 in early January 2023, the Bank will be working on the next phase of providing more Islamic Ringgit Trade and Deposit products and services to mirror what the conventional Bank has to offer. This will ensure the Bank's new and existing clients able to enjoy a more comprehensive products and services offerings which are competitive and relevant to their needs and requirements.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

13. Cash and short-term funds

	31 December 2022 RM'000	31 March 2022 RM'000
Cash and balances with banks and other financial institutions	92,957	92,727
Money at call and deposit placements maturing within one month	3,915,610	4,628,302
	<u>4,008,567</u>	<u>4,721,029</u>
Less: Allowance for expected credit losses ("ECL")	(358)	(905)
	<u><u>4,008,209</u></u>	<u><u>4,720,124</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 2022	905	-	-	905
Charge to profit or loss				
- Decrease in ECL	(547)	-	-	(547)
At 31 December 2022	<u>358</u>	<u>-</u>	<u>-</u>	<u>358</u>
At 1 April 2021	1,978	2,365	-	4,343
Charge to profit or loss				
- Decrease in ECL	(1,073)	(2,365)	-	(3,438)
At 31 March 2022	<u>905</u>	<u>-</u>	<u>-</u>	<u>905</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

14. Deposits and placements with banks and other financial institutions

	31 December 2022 RM'000	31 March 2022 RM'000
Money at call and deposit placements maturing more than one month	1,832,032	546,560
Less: Allowance for ECL	(79)	(325)
	<u>1,831,953</u>	<u>546,235</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 2022	325	-	-	325
Charge to profit or loss				
- Decrease in ECL	(246)	-	-	(246)
At 31 December 2022	<u>79</u>	<u>-</u>	<u>-</u>	<u>79</u>
At 1 April 2021	1,212	1,430	-	2,642
Charge to profit or loss				
- Decrease in ECL	(887)	(1,430)	-	(2,317)
At 31 March 2022	<u>325</u>	<u>-</u>	<u>-</u>	<u>325</u>

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

	31 December 2022 RM'000	31 March 2022 RM'000
At fair value		
Negotiable instruments of deposits	502,059	303,014
Malaysian Government Securities	20,065	-
Malaysian Government Investment Issues	150,579	182,978
	<u>672,703</u>	<u>485,992</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 2022	226	-	-	226
- Decrease in ECL	(113)	-	-	(113)
At 31 December 2022	<u>113</u>	<u>-</u>	<u>-</u>	<u>113</u>
At 1 April 2021	36	831	-	867
- Increase/(Decrease) in ECL	190	(831)	-	(641)
At 31 March 2022	<u>226</u>	<u>-</u>	<u>-</u>	<u>226</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 31 DECEMBER 2022****16. Loans, advances and financing**

	31 December 2022 RM'000	31 March 2022 RM'000
(a) By type:		
<u>At amortised cost:</u>		
Overdraft	21,360	568
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	3,527,161	3,157,832
- Factoring receivables	235,586	195,573
- Other term loans / Islamic term financing	6,662,153	7,016,907
Trade bills discounted	27,478	28,701
Revolving credits / Revolving credit-i	5,483,409	4,127,220
Gross loans, advances and financing	<u>15,957,147</u>	<u>14,526,801</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(2,637)	(4,706)
- Lifetime ECL not credit impaired (Stage 2)	(61,058)	(29,979)
- Lifetime ECL credit impaired (Stage 3)	(52,527)	(55,218)
Net loans, advances and financing	<u><u>15,840,925</u></u>	<u><u>14,436,898</u></u>
(b) By geographical distribution:		
Malaysia	14,024,260	12,116,294
Other countries:		
- Australia	657,257	1,162,239
- United States of America	446,210	423,223
- Japan	179,879	186,414
- Hong Kong	57,396	55,570
- Cayman Islands	260,481	246,004
- Netherlands	172,670	171,906
- United Kingdom	158,994	165,151
Gross loans, advances and financing	<u><u>15,957,147</u></u>	<u><u>14,526,801</u></u>
(c) By type of customer:		
Domestic non-bank financial institutions	4,444,488	4,192,176
Domestic business enterprises	11,286,572	10,102,131
Foreign entities	226,087	232,494
Gross loans, advances and financing	<u><u>15,957,147</u></u>	<u><u>14,526,801</u></u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

16. Loans, advances and financing (continued)

	31 December 2022 RM'000	31 March 2022 RM'000
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	1,131,958	1,177,976
Variable rate		
- Cost-plus	5,784,688	4,197,865
- Other variable rates	9,040,501	9,150,960
Gross loans, advances and financing	<u>15,957,147</u>	<u>14,526,801</u>
(e) By sector:		
Primary agriculture	93,748	41,561
Mining and Quarrying	986,885	-
Manufacturing	2,609,551	2,742,970
Electricity, gas and water	554,032	738,106
Construction	93,433	65,809
Wholesale and retail trade, and restaurants and hotels *	1,321,875	1,184,210
Transport, storage and communication	1,828,126	1,193,200
Finance, insurance and business services	5,443,424	5,203,359
Real estate *	2,301,596	2,552,172
Education, health and other services *	724,477	710,871
Other sectors *	-	94,543
Gross loans, advances and financing	<u>15,957,147</u>	<u>14,526,801</u>
* There were reclassifications from 'Other sectors' to 'Wholesale and retail trade, and restaurants and hotels', 'Real estate' and 'Education, health and other services'.		
(f) By economic purpose:		
Purchase of securities	260,481	246,004
Purchase of non-residential property		
- Purchase of land	99,387	99,355
Purchase of fixed assets other than land and building	383,143	391,208
Construction	1,067,948	1,067,980
Working capital	5,974,285	5,685,298
Mergers and acquisition	-	168,483
Other purpose	8,171,903	6,868,473
Gross loans, advances and financing	<u>15,957,147</u>	<u>14,526,801</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 31 DECEMBER 2022

16. Loans, advances and financing (continued)

	31 December 2022 RM'000	31 March 2022 RM'000
(g) By residual contractual maturity:		
Maturing within one year	5,915,343	5,512,857
One year to three years	4,187,428	4,053,384
Three years to five years	4,697,658	2,892,376
More than five years	1,156,718	2,068,184
Gross loans, advances and financing	<u>15,957,147</u>	<u>14,526,801</u>

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

	31 December 2022 RM'000	31 March 2022 RM'000
At 1 April 2022 / 1 April 2021	55,570	54,199
Currency translation differences	1,826	-
Impaired during the financial year	-	1,371
At 31 December 2022 / 31 March 2022	<u>57,396</u>	<u>55,570</u>
Less: Lifetime ECL credit impaired (Stage 3)	<u>(52,527)</u>	<u>(55,218)</u>
Net impaired loans, advances and financing	<u>4,869</u>	<u>352</u>
Gross credit-impaired loans and financing as a percentage of gross loans, advances and financing	<u>0.36%</u>	<u>0.38%</u>

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

Hong Kong	<u>57,396</u>	<u>55,570</u>
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(j) Credit-impaired loans, advances and financing by sector:

Wholesale and retail trade, and restaurants and hotels *	<u>57,396</u>	<u>55,570</u>
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(k) Credit-impaired loans, advances and financing by economic purpose:

Other Purpose	<u>57,396</u>	<u>55,570</u>
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* There was reclassification from 'Other sectors' to 'Wholesale and retail trade, and restaurants and hotels'.

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2022	10,539,396	3,931,835	55,570	14,526,801
Transfer to 12-month ECL (Stage 1)	1,998,817	(1,998,817)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(2,732,392)	2,732,392	-	-
Transfer to lifetime ECL credit- impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(3,200,028)	(1,658,197)	(3,109)	(4,861,334)
New loans, advances and financing originated or purchased	4,944,833	1,132,602	2,305	6,079,740
Other adjustments	186,416	22,894	2,630	211,940
At 31 December 2022	<u>11,737,042</u>	<u>4,162,709</u>	<u>57,396</u>	<u>15,957,147</u>
At 1 April 2021	9,013,615	5,989,642	54,199	15,057,456
Transfer to 12-month ECL (Stage 1)	1,440,636	(1,440,636)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(1,385,333)	1,385,333	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(4,711,466)	(2,727,400)	-	(7,438,866)
New loans, advances and financing originated or purchased	6,228,943	688,715	806	6,918,464
Other adjustments	(46,999)	36,181	565	(10,253)
At 31 March 2022	<u>10,539,396</u>	<u>3,931,835</u>	<u>55,570</u>	<u>14,526,801</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

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 2022	4,706	29,979	55,218	89,903
Transfer to 12-month ECL (Stage 1)	14,586	(14,586)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(762)	762	-	-
Transfer to lifetime ECL credit- impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(290)	(3,959)	-	(4,249)
New loans, advances and financing originated or purchased	594	2,318	-	2,912
Changes due to change in credit risk	(16,197)	46,544	(2,691)	27,656
At 31 December 2022	<u>2,637</u>	<u>61,058</u>	<u>52,527</u>	<u>116,222</u>
At 1 April 2021	10,453	59,634	10,384	80,471
Transfer to 12-month ECL (Stage 1)	35,181	(35,181)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(4,752)	4,752	-	-
Transfer to lifetime ECL credit impaired (Stage 3)	-	-	-	-
Loans, advances and financing derecognised	(5,117)	(9,195)	-	(14,312)
New loans, advances and financing originated or purchased	2,454	3,656	-	6,110
Changes due to change in credit risk	(33,513)	6,313	44,834	17,634
At 31 March 2022	<u>4,706</u>	<u>29,979</u>	<u>55,218</u>	<u>89,903</u>

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17. Other assets

	31 December 2022 RM'000	31 March 2022 RM'000
Interest receivable	20,850	8,218
Amount due from related corporations	20,572	84
Cash collateral placements	8,610	94,346
Other receivables	303	2,742
Deposits	2,007	2,035
Prepayments	330	301
	<u>52,672</u>	<u>107,726</u>
Less: Allowance for ECL	(3)	(28)
	<u><u>52,669</u></u>	<u><u>107,698</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 2022	28	-	-	28
Charge to profit or loss				
- Decrease in ECL	(25)	-	-	(25)
At 31 December 2022	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
At 1 April 2021	400	-	-	400
Charge to profit or loss				
- Decrease in ECL	(372)	-	-	(372)
At 31 March 2022	<u>28</u>	<u>-</u>	<u>-</u>	<u>28</u>

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18. Deposits from customers

	31 December 2022 RM'000	31 March 2022 RM'000
(a) By type of deposits:		
Demand deposits	3,514,918	3,165,016
Fixed deposits	10,249,504	9,847,955
Short-term deposits	2,223,894	2,716,146
	<u>15,988,316</u>	<u>15,729,117</u>

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

Due within six months	4,893,433	4,834,618
Six months to one year	630,180	1,520,771
One year to three years	3,040,745	2,359,127
Three years to five years	2,792,478	2,430,086
Five years to ten years	713,251	438,531
Ten years and above	403,311	980,968
	<u>12,473,398</u>	<u>12,564,101</u>

(b) By type of customers:

Domestic non-bank financial institutions	389,320	249,994
Domestic business enterprises	7,011,262	7,071,364
Branch of immediate holding corporation	8,124,987	7,816,858
Foreign non-bank entities	236,543	166,315
Domestic other entities	4,275	3,911
Government	221,929	420,675
	<u>15,988,316</u>	<u>15,729,117</u>

19. Deposits and placements of banks and other financial institutions

	31 December 2022 RM'000	31 March 2022 RM'000
Licensed Malaysian banks	254,626	218,484
Foreign banks		
- Immediate holding corporation	2,415,041	725,165
	<u>2,669,667</u>	<u>943,649</u>

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20. Other liabilities

	31 December 2022 RM'000	31 March 2022 RM'000
Interest payable	9,339	9,651
Amount due to immediate holding corporation and related corporations/companies	71,092	14,422
Cash collateral placements	125,380	48,640
Other payables	29,915	32,353
Accruals	13,142	15,330
	<u>248,868</u>	<u>120,396</u>

21. Provision for credit commitments and contingencies

	31 December 2022 RM'000	31 March 2022 RM'000
Provision for credit commitments and contingencies	<u>6,527</u>	<u>6,423</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 2022	1,667	4,756	-	6,423
Charge to profit or loss				
- (Decrease) / Increase in ECL	(1,143)	1,247	-	104
At 31 December 2022	<u>524</u>	<u>6,003</u>	<u>-</u>	<u>6,527</u>
At 1 April 2021	1,487	6,131	9	7,627
Charge to profit or loss				
- Increase / (Decrease) in ECL	180	(1,375)	(9)	(1,204)
At 31 March 2022	<u>1,667</u>	<u>4,756</u>	<u>-</u>	<u>6,423</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****22. Interest income**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income	127,281	51,546	288,528	160,124
- Financing income	18,899	4,429	43,017	12,939
Money at call and deposit placements with banks and other financial institutions	56,032	16,332	116,899	50,770
Debt instruments measured at FVOCI	4,714	3,388	9,656	8,831
Others	21	-	21	-
	<u>206,947</u>	<u>75,695</u>	<u>458,121</u>	<u>232,664</u>

23. Interest expense

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	115,275	24,860	242,133	77,270
Deposits and placements of banks and other financial institutions	22,605	601	31,754	1,523
Lease liabilities	53	126	182	374
	<u>137,933</u>	<u>25,587</u>	<u>274,069</u>	<u>79,167</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****24. Other operating income**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Fee and commission income				
- Service charges and guarantee fees	772	428	1,567	1,035
- Loan related fees	3,039	4,660	9,614	11,737
- Commitment fees	880	809	3,030	2,034
	<u>4,691</u>	<u>5,897</u>	<u>14,211</u>	<u>14,806</u>
Realised gain from derivative financial instruments	<u>6,434</u>	<u>1,067</u>	<u>17,462</u>	<u>2,878</u>
Unrealised gain on revaluation of derivatives	<u>3,589</u>	<u>3,396</u>	<u>5,157</u>	<u>18,517</u>
Unrealised loss on hedging activities	<u>(4,040)</u>	<u>(7,512)</u>	<u>(17,707)</u>	<u>(11,573)</u>
Foreign exchange, net gain	<u>23,310</u>	<u>26,224</u>	<u>76,116</u>	<u>71,435</u>
Other income				
- Management fees	6,458	10,516	20,504	20,179
- Rental of fixed assets	196	320	619	1,023
- Miscellaneous income	1,710	2,126	5,714	7,636
	<u>8,364</u>	<u>12,962</u>	<u>26,837</u>	<u>28,838</u>
	<u>42,348</u>	<u>42,034</u>	<u>122,076</u>	<u>124,901</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

25. Other operating expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
Personnel costs				
Salaries, allowances and bonuses	15,020	12,180	40,314	34,104
Employees' provident fund contributions	2,225	1,700	5,851	4,617
Staff training expenses	3	(3)	50	112
Staff welfare expenses	22	11	22	11
Other personnel expenses	873	977	3,615	3,761
	<u>18,143</u>	<u>14,865</u>	<u>49,852</u>	<u>42,605</u>
Establishment costs				
Depreciation - Plant and equipment	1,112	1,207	3,376	3,489
Depreciation - Right-of-use assets	1,011	1,319	3,335	3,984
Repair and maintenance	41	30	167	278
Other establishment expenses	5,082	3,470	12,417	11,291
	<u>7,246</u>	<u>6,026</u>	<u>19,295</u>	<u>19,042</u>
Marketing expenses				
Advertisement and publicity	86	59	172	146
Other marketing expenses	39	2	105	15
	<u>125</u>	<u>61</u>	<u>277</u>	<u>161</u>
Administration and general expenses				
Auditors' remuneration				
- Statutory audit	118	101	301	274
Professional fees	303	223	1,617	779
Communication expenses	210	104	467	402
Management fees	6,561	5,907	19,810	16,791
Licence fees and stamp duties	38	38	113	113
Non-executive directors' fees and allowances	215	228	634	695
Plant and equipment written off	-	-	1,483	-
Other administration and general expenses	1,820	1,980	7,086	5,333
	<u>9,265</u>	<u>8,581</u>	<u>31,511</u>	<u>24,387</u>
	<u>34,779</u>	<u>29,533</u>	<u>100,935</u>	<u>86,195</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****26. Allowance for / (Writeback of) impairment on loans, advances and financing**

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
<u>Allowance for / (Writeback of) ECL</u>				
Loans, advances and financing	17,897	1,809	26,319	(15,595)
Provision for credit commitments and contingencies	(2,452)	3,739	104	1,551
	<u>15,445</u>	<u>5,548</u>	<u>26,423</u>	<u>(14,044)</u>

27. Writeback of impairment on other financial assets

	3rd Quarter Ended		Nine Months Ended	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
<u>Writeback of ECL</u>				
Cash and short-term funds	(135)	(1,297)	(547)	(3,654)
Deposits and placements with banks and other financial institutions	(174)	47	(246)	(1,967)
Debt instruments measured at FVOCI	11	(142)	(113)	(623)
Other assets	(27)	(63)	(25)	(369)
	<u>(325)</u>	<u>(1,455)</u>	<u>(931)</u>	<u>(6,613)</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

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 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 December 2022								
Assets								
Cash and short-term funds	3,915,610	-	-	-	-	92,599	-	4,008,209
Deposits and placements with banks and other financial institutions	-	1,347,344	484,688	-	-	(79)	-	1,831,953
Debt instruments measured at FVOCI	200,296	301,764	140,446	30,197	-	-	-	672,703
Loans, advances and financing								
- non-impaired	3,414,235	1,000,561	1,500,545	8,827,693	1,156,717	(63,695)	-	15,836,056
- impaired	-	-	-	57,396	-	(52,527)	-	4,869
Derivative financial assets	-	-	339	5,485	-	-	646,335	652,159
Other assets [^]	17,908	8,163	3,423	-	-	22,845	-	52,339
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	45,000	-	45,000
Total assets	7,548,049	2,657,832	2,129,441	8,920,771	1,156,717	44,143	646,335	23,103,288

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

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

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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

28. Use of Financial Instruments (continued)

Interest 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 December 2022								
<u>Liabilities</u>								
Deposits from customers	3,598,612	1,082,723	842,278	5,833,222	1,116,563	3,514,918	-	15,988,316
Deposits and placements of banks and other financial institutions	427,482	629,929	727,032	881,251	-	3,973	-	2,669,667
Bills and acceptances payable	-	-	1,084	-	-	-	-	1,084
Derivative financial liabilities	-	-	9,524	3,177	-	-	519,437	532,138
Other liabilities *	6,077	7,879	17,046	26,131	3,816	145,486	-	206,435
Total liabilities	4,032,171	1,720,531	1,596,964	6,743,781	1,120,379	3,664,377	519,437	19,397,640
On balance sheet interest rate gap	3,515,878	937,301	532,477	2,176,990	36,338	(3,620,234)	126,898	3,705,648
Off balance sheet interest rate gap	-	2,861,774	(429,583)	(2,208,151)	(224,040)	-	-	-
Total interest rate gap	3,515,878	3,799,075	102,894	(31,161)	(187,702)	(3,620,234)	126,898	3,705,648

* 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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28. Use of Financial Instruments (continued)

Interest 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 2022								
Assets								
Cash and short-term funds	4,628,302	-	-	-	-	91,822	-	4,720,124
Deposits and placements with banks and other financial institutions	-	546,560	-	-	-	(325)	-	546,235
Debt instruments measured at FVOCI	201,234	101,780	40,285	142,693	-	-	-	485,992
Loans, advances and financing								
- non-impaired	2,029,400	1,681,361	1,801,288	6,890,996	2,068,186	(34,685)	-	14,436,546
- impaired	-	-	-	55,570	-	(55,218)	-	352
Derivative financial assets	-	-	-	1,114	-	-	395,378	396,492
Other assets ^	101,335	1,971	1,728	-	-	2,363	-	107,397
Total assets	6,960,271	2,331,672	1,843,301	7,090,373	2,068,186	3,957	395,378	20,693,138

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

^ Other assets exclude prepayments and deferred expenses as these items are classified as non-financial assets.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022**

28. Use of Financial Instruments (continued)

Interest 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 2022								
<u>Liabilities</u>								
Deposits from customers	3,308,078	1,008,097	2,039,214	4,789,213	1,419,499	3,165,016	-	15,729,117
Deposits and placements of banks and other financial institutions	612,145	272,082	55,497	-	-	3,925	-	943,649
Bills and acceptances payable	-	-	1,487	-	-	-	-	1,487
Derivative financial liabilities	-	10,801	135	41,435	-	-	292,497	344,868
Other liabilities *	4,382	2,641	3,849	1,466	680	60,556	-	73,574
Total liabilities	3,924,605	1,293,621	2,100,182	4,832,114	1,420,179	3,229,497	292,497	17,092,695
On balance sheet interest rate gap	3,035,666	1,038,051	(256,881)	2,258,259	648,007	(3,225,540)	102,881	3,600,443
Off balance sheet interest rate gap	-	2,696,806	(119,594)	(1,963,595)	(613,617)	-	-	-
Total interest rate gap	3,035,666	3,734,857	(376,475)	294,664	34,390	(3,225,540)	102,881	3,600,443

* 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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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022

29. Use of Financial Instruments (continued)

Interest rate risk (continued)

	31 December 2022		31 March 2022	
	MYR % p.a.	USD % p.a.	MYR % p.a.	USD % p.a.
Financial assets				
Cash and short-term funds	2.69	4.41	1.80	0.46
Deposits and placements with banks and other financial institutions	3.52	5.29	-	0.63
Loans, advances and financing	4.35	5.46	3.46	1.54
Financial liabilities				
Deposits from customers	2.88	4.59	2.00	0.59
Deposits and placements of banks and other financial institutions	-	4.43	-	0.10

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30. 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:

	31 December 2022 RM'000	31 March 2022 RM'000
Aggregate value of outstanding credit exposures to connected parties	269,309	578,301
As a percentage of total credit exposures	0.89%	2.13%

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

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31. 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:

	31 December 2022 RM'000	31 March 2022 RM'000
<u>Tier 1 capital</u>		
Paid-up ordinary share capital	2,452,605	2,452,605
Retained earnings	1,086,968	1,086,968
Other reserves	144,434	145,695
	<u>3,684,007</u>	<u>3,685,268</u>
Less: 55% of fair value reserve	(475)	(1,169)
Regulatory reserve	<u>(143,570)</u>	<u>(143,570)</u>
Common Equity Tier 1 (CET 1) and Tier 1 Capital	<u>3,539,962</u>	<u>3,540,529</u>
<u>Tier 2 capital</u>		
Expected credit losses	70,775	42,592
Regulatory reserve *	121,071	126,154
Tier 2 Capital	<u>191,846</u>	<u>168,746</u>
Total capital base	<u><u>3,731,808</u></u>	<u><u>3,709,275</u></u>
<u>Capital ratios</u>		
CET 1 and Tier 1 capital ratio	21.562%	24.306%
Total capital ratio	22.731%	25.464%

* 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:

	31 December 2022 RM'000	31 March 2022 RM'000
Credit risk	15,347,693	13,499,672
Market risk	370,049	379,803
Operational risk	699,776	686,993
Total risk-weighted assets	<u><u>16,417,518</u></u>	<u><u>14,566,468</u></u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2022****32. 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
31 December 2022			
Transaction-related contingent items	476,545	234,539	234,539
Short-term self-liquidating trade-related contingencies	550,307	109,655	109,655
Foreign exchange related contracts:			
- Less than one year	8,490,524	265,053	840,764
- One year to less than five years	10,493,081	1,464,499	160,463
- Five years and above	758,017	158,934	122,248
Interest / Profit rate related contracts:			
- Less than one year	431,583	1,340	670
- One year to less than five years	2,208,151	106,836	67,557
- Five years and above	224,040	43,444	30,684
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	817,931	163,585	163,585
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	8,857,991	4,426,632	4,297,596
Total	33,308,170	6,974,517	6,027,761

* 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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32. Commitments and contingencies (continued)

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted assets * RM'000
31 March 2022			
Transaction-related contingent items	551,387	272,465	266,724
Short-term self-liquidating trade-related contingencies	394,632	78,207	78,207
Foreign exchange related contracts:			
- Less than one year	8,613,483	212,009	128,279
- One year to less than five years	8,570,737	1,138,878	664,667
- Five years and above	1,053,957	204,990	151,806
Interest / Profit rate related contracts:			
- Less than one year	119,594	566	528
- One year to less than five years	1,963,595	58,809	41,193
- Five years and above	613,617	73,264	51,120
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	611,283	122,222	122,222
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	8,391,235	4,193,177	4,021,831
Total	30,883,520	6,354,587	5,526,577

* 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. 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

	31 December 2022 RM'000	31 March 2022 RM'000
(i) By type:		
<u>At amortised cost:</u>		
Term financing		
- Syndicated Islamic financing	519,229	499,305
- Islamic term financing	436,795	642,674
Revolving credit-i	1,110,328	1,041,597
Gross financing and advances	2,066,352	2,183,576
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(675)	(671)
- Lifetime ECL not credit impaired (Stage 2)	(1,236)	(6,323)
Net financing and advances	2,064,441	2,176,582
(ii) By contract:		
Murabahah	2,066,352	2,183,576
Gross financing and advances	2,066,352	2,183,576

(b) Deposits from customers

	31 December 2022 RM'000	31 March 2022 RM'000
(i) By type and contract:		
<u>At amortised cost:</u>		
Demand deposits - Qard	1,947	3,693
	1,947	3,693

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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 31 December 2022 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: 27 January 2023