

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 SEPTEMBER 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 SEPTEMBER 2023

		As at 30 September 2023	As at 31 March 2023
	Note	RM'000	RM'000
Assets			
Cash and short-term funds	13	9,463,050	5,909,241
Deposits and placements with banks and other financial institutions	14	3,122,035	1,967,353
Debt instruments at fair value through other comprehensive income ("FVOCI")	15	1,432,406	703,693
Loans, advances and financing	16	14,933,539	15,169,490
Derivative financial assets		889,582	586,949
Other assets	17	96,612	40,489
Statutory deposits with Bank Negara Malaysia	18	650	45,000
Plant and equipment		9,261	7,795
Right-of-use assets		2,239	3,932
Tax recoverable		119,429	144,451
Total assets		<u>30,068,803</u>	<u>24,578,393</u>
Liabilities			
Deposits from customers	19	17,483,888	16,727,819
Deposits and placements of banks and other financial institutions	20	7,299,741	3,199,056
Bills and acceptances payable		694	1,265
Derivative financial liabilities		766,534	508,949
Other liabilities	21	457,990	241,199
Lease liabilities		2,516	4,490
Provision for credit commitments and contingencies	22	3,027	7,481
Deferred tax liabilities		7,925	1,455
Total liabilities		<u>26,022,315</u>	<u>20,691,714</u>
Equity			
Share capital		2,452,605	2,452,605
Reserves		1,593,883	1,434,074
Total equity attributable to owners of the Bank		<u>4,046,488</u>	<u>3,886,679</u>
Total liabilities and equity		<u>30,068,803</u>	<u>24,578,393</u>
Commitments and contingencies	33	<u>38,764,863</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 SEPTEMBER 2023

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		RM'000	RM'000	RM'000	RM'000
Interest income	23	306,533	154,092	563,246	251,174
Interest expense	24	(248,992)	(91,095)	(437,340)	(136,136)
Net interest income		57,541	62,997	125,906	115,038
Other operating income	25	61,828	46,689	111,557	79,728
Net operating income		119,369	109,686	237,463	194,766
Other operating expenses	26	(33,746)	(33,155)	(68,508)	(66,156)
Operating profit		85,623	76,531	168,955	128,610
Writeback of / (Allowance for) impairment on loans, advances and financing	27	35,226	(13,528)	42,720	(10,978)
Writeback of impairment on other financial assets	28	737	478	2,147	606
Profit before taxation		121,586	63,481	213,822	118,238
Tax expense		(30,252)	(11,503)	(52,285)	(24,132)
Profit after taxation		91,334	51,978	161,537	94,106
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		239	382	(1,215)	(2,220)
- Debt instruments measured at FVOCI - decrease in allowance for impairment		(221)	(87)	(513)	(124)
Total comprehensive income for the financial period		91,352	52,273	159,809	91,762
Basic earnings per ordinary share (sen)		3.72	2.12	6.59	3.84

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

	Share capital RM'000	Non-distributable reserves	Fair value reserve RM'000	Distributable reserves	Total RM'000
		Regulatory 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	-	-	-	161,537	161,537
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(1,728)	-	(1,728)
Total comprehensive income for the period	-	-	(1,728)	161,537	159,809
Transfer to regulatory reserve	-	21,997	-	(21,997)	-
At 30 September 2023	2,452,605	165,567	669	1,427,647	4,046,488
At 1 April 2022	2,452,605	143,570	2,125	1,086,968	3,685,268
Profit for the period	-	-	-	94,106	94,106
Fair value change and decrease in allowance for impairment of debt instruments measured at FVOCI	-	-	(2,344)	-	(2,344)
Total comprehensive income for the period	-	-	(2,344)	94,106	91,762
Transfer to regulatory reserve	-	7,988	-	(7,988)	-
At 30 September 2022	2,452,605	151,558	(219)	1,173,086	3,777,030

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

	30 September 2023 RM'000	30 September 2022 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	213,822	118,238
Adjustments for non-cash items	(25,699)	5,878
Operating profit before working capital changes	<u>188,123</u>	<u>124,116</u>
Changes in working capital:		
Net changes in operating assets	(957,351)	(2,948,605)
Net changes in operating liabilities	5,075,287	2,642,265
Cash generated from / (used in) operating activities	<u>4,306,059</u>	<u>(182,224)</u>
Tax paid	(20,409)	(50,769)
Net cash generated from / (used in) operating activities	<u>4,285,650</u>	<u>(232,993)</u>
Net cash used in investing activities	(730,322)	(121,395)
Net cash used in financing activities	<u>(2,457)</u>	<u>(2,642)</u>
Net increase / (decrease) in cash and cash equivalents during the financial period	3,552,871	(357,030)
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>9,464,627</u></u>	<u><u>4,363,999</u></u>
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	179,536	107,649
Money at call and deposit placements maturing within one month	9,285,091	4,256,350
	<u><u>9,464,627</u></u>	<u><u>4,363,999</u></u>

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

1. Basis of preparation

The unaudited condensed interim financial statements for the second quarter and financial period ended 30 September 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 SEPTEMBER 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 second quarter and financial period ended 30 September 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 second quarter and financial period ended 30 September 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 second quarter and financial period ended 30 September 2023.

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

6. Debt and Equity Securities

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

7. Dividend

No dividend was paid during the second quarter and financial period ended 30 September 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 second quarter and financial period ended 30 September 2023.

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

11. Review of Performance

2nd quarter results ended 30 September 2023

For the second quarter ended 30 September 2023, the Bank registered a profit before taxation of RM121.6 million, an increase of 91.5% (Q2 Sep 2022: RM63.5 million). The improved performance was mainly attributed to the writeback of impairment on loans, advances and financing and other financial assets amounting to RM35.9 million (Q2 Sep 2022: allowance for impairment of RM13.0 million) and increase in other operating income of 32.3% amounting to RM61.8 million (Q2 Sep 2022: RM46.7 million) largely from the net gain in foreign exchange. Consequentially, the Bank recorded a profit after taxation of RM91.3 million, an increase of 75.6% in the second quarter ended 30 September 2023 (Q2 Sep 2022: RM52.0 million).

Six months financial results ended 30 September 2023

For the six months financial period ended 30 September 2023, the Bank registered a profit before taxation of RM213.8 million, an increase of 80.9% (6 months ended Sep 2022: RM118.2 million). The improved performance was mainly attributed to the writeback of impairment on loans, advances and financing and other financial assets amounting to RM44.8 million (6 months ended Sep 2022: allowance for impairment of RM10.4 million) largely due to the removal of Management Overlay arising from the COVID-19 affected sectors and Russia-Ukraine conflict potential affected sectors and replaced with the banks' identified vulnerable sectors during the period under review. Significant improvement in the Macro Economic Variables forecast data also contributed to the reversal amount. In addition, the other operating income has increased by 40.0% amounting to RM111.6 million (6 months ended Sep 2022: RM79.7 million) largely from the net gain in foreign exchange and the net interest income has increased by 9.5% amounting to RM125.9 million (6 months ended Sep 2022: RM115.0 million). Consequentially, the Bank recorded a profit after taxation of RM161.5 million, an increase of 71.6% (6 months ended Sep 2022: RM94.1 million).

Total assets recorded an increase of 22.3% to RM30,069 million as at 30 September 2023 (31 March 2023: RM24,578 million). This was mainly attributed to the 60.1% increase in cash and short-term funds amounting to RM9,463 million (31 March 2023: RM5,909 million) and 58.7% increase in deposits and placements with banks and other financial institutions amounting to RM3,122 million (31 March 2023: RM1,967 million).

The total liabilities recorded an increase of 25.8% to RM26,022 million as at 30 September 2023 (31 March 2023: RM20,692 million). This was largely due to the higher deposits and placements of banks and other financial institutions of 128.2% amounting to RM7,300 million (31 March 2023: RM3,199 million) and higher deposits from customers of 4.5% amounting to RM17,484 million (31 March 2023: RM16,728 million).

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

12. Current Year Prospects

Malaysia's Gross Domestic Product ("GDP") in the second quarter of 2023 grew by 2.9 per cent (1Q 2023: 5.6 per cent). The growth was mainly driven by the domestic consumption and improved labour market conditions. Tourism activities continued to improve, lifting services exports and partially offsetting the slower goods export growth, in addition to continued policy support from the government. The moderate growth in second quarter of 2023 was partly driven by several temporary factors, including plant maintenance in the mining sector, hot weather affecting agricultural output, as well as high base effects from the economic reopening and policy measures in second quarter of last year. 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 remained resilient underpinned by continued policy support such as capacity expansion, progress of multi-year infrastructure projects and higher fixed asset spending by the government which provide additional lift to the economy and stronger private sector recovery supported by improving labour market conditions. Tourist arrivals are expected to rise. Malaysia's exports remain supported by strong demand for electrical and electronic products and commodities. These factors will continue to underpin the growth momentum going into end of 2023.

Nevertheless, the external demand challenges are emerging from global developments. These include impact of geopolitical tensions on the global economy, high oil prices and economic fragmentation that threatens to further undermine growth prospects of major economies, many of which are Malaysia's leading trading partners. The 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.

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 SEPTEMBER 2023

12. Current Year Prospects (Continued)

Islamic Finance Outlook

The Islamic Banking industry in Malaysia continues to grow in the second quarter of 2023, whereby in the month of June 2023, total Islamic Banking assets has grown to RM1,077.2 billion which was contributed mainly by stand-alone Islamic Banks recording a total assets of RM1,052.9 billion (97.7%), followed by Islamic Banking Window ("IBW") operations with a total assets of RM24.3 billion (2.3%). This is an increase of 1.37% 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 RM783.8 billion which is an increase of 3.5% from the 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.

Several factors will impact the continuing demand for ICBU and IBW respectively. These include the growth of the domestic and international economy, inflationary pressures, credit market conditions, strength of the Ringgit and advances in fintech and technology.

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

13. Cash and short-term funds

	30 September 2023 RM'000	31 March 2023 RM'000
Cash and balances with banks and other financial institutions	179,536	117,474
Money at call and deposit placements maturing within one month	9,285,091	5,794,282
	<u>9,464,627</u>	<u>5,911,756</u>
Less: Allowance for expected credit losses ("ECL")	(1,577)	(2,515)
	<u><u>9,463,050</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				
- Decrease in ECL	(938)	-	-	(938)
At 30 September 2023	<u>1,577</u>	<u>-</u>	<u>-</u>	<u>1,577</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 SEPTEMBER 2023****14. Deposits and placements with banks and other financial institutions**

	30 September 2023 RM'000	31 March 2023 RM'000
Money at call and deposit placements maturing more than one month	3,122,859	1,968,874
Less: Allowance for ECL	(824)	(1,521)
	<u>3,122,035</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	(697)	-	-	(697)
At 30 September 2023	<u>824</u>	<u>-</u>	<u>-</u>	<u>824</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 SEPTEMBER 2023

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

	30 September 2023 RM'000	31 March 2023 RM'000
At fair value		
Negotiable Instruments of Deposits	501,923	502,348
Malaysian Government Securities	100,881	20,116
Malaysian Government Investment Issues	130,689	181,229
Bank Negara Malaysia Bills	698,913	-
	<u>1,432,406</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	(513)	-	-	(513)
At 30 September 2023	<u>181</u>	<u>-</u>	<u>-</u>	<u>181</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 SEPTEMBER 2023

16. Loans, advances and financing

	30 September 2023 RM'000	31 March 2023 RM'000
(a) By type:		
<u>At amortised cost:</u>		
Overdraft	-	2,063
Term loans / financing		
- Syndicated loans / Syndicated Islamic financing	3,398,302	3,477,449
- Factoring receivables	158,645	199,087
- Other term loans / Islamic term financing *	6,962,029	6,733,159
Trade bills discounted	33,896	14,984
Revolving credits / Revolving credit-I *	4,437,592	4,853,185
Trust receipt	15,246	-
Gross loans, advances and financing	<u>15,005,710</u>	<u>15,279,927</u>
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(5,418)	(6,309)
- Lifetime ECL not credit impaired (Stage 2)	(12,959)	(53,063)
- Lifetime ECL credit impaired (Stage 3)	(53,794)	(51,065)
Net loans, advances and financing	<u><u>14,933,539</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	13,788,239	13,841,777
Other countries:		
- Australia	218,426	211,874
- United States of America	235,248	453,424
- Japan	171,471	178,957
- Hong Kong	53,794	51,065
- Cayman Islands	182,940	200,478
- Netherlands	183,845	177,114
- United Kingdom	171,747	165,238
Gross loans, advances and financing	<u><u>15,005,710</u></u>	<u><u>15,279,927</u></u>

(c) By type of customer:

Domestic non-bank financial institutions	4,705,435	4,514,972
Domestic business enterprises	10,059,872	10,542,469
Foreign entities	225,542	222,486
Domestic other entities	14,861	-
Gross loans, advances and financing	<u><u>15,005,710</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 SEPTEMBER 2023

16. Loans, advances and financing (continued)

	30 September 2023 RM'000	31 March 2023 RM'000
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	613,658	1,055,269
Variable rate		
- Cost-plus	6,167,504	5,825,500
- Other variable rates	8,224,548	8,399,158
Gross loans, advances and financing	<u>15,005,710</u>	<u>15,279,927</u>
(e) By sector:		
Primary agriculture	13,003	10,005
Mining and Quarrying	990,034	980,532
Manufacturing	2,160,003	2,627,610
Electricity, gas and water	588,861	556,402
Construction	290,800	92,923
Wholesale and retail trade, and restaurants and hotels	984,035	1,237,449
Transport, storage and communication	1,694,979	1,770,388
Finance, insurance and business services	5,691,460	5,456,074
Real estate	1,944,668	1,943,060
Education, health and other services	647,867	605,484
Gross loans, advances and financing	<u>15,005,710</u>	<u>15,279,927</u>
(f) By economic purpose:		
Purchase of securities	182,940	200,478
Purchase of non-residential property		
- Purchase of land	99,394	99,387
Purchase of fixed assets other than land and building	172	332,387
Construction	999,176	1,090,757
Working capital	6,007,639	6,346,534
Other purpose	7,716,389	7,210,384
Gross loans, advances and financing	<u>15,005,710</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 SEPTEMBER 2023

16. Loans, advances and financing (continued)

	30 September 2023 RM'000	31 March 2023 RM'000
(g) By residual contractual maturity:		
Maturing within one year	5,485,166	6,053,077
One year to three years	4,660,059	3,888,397
Three years to five years	3,931,022	4,285,659
More than five years	929,463	1,052,794
Gross loans, advances and financing	<u>15,005,710</u>	<u>15,279,927</u>

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

	30 September 2023 RM'000	31 March 2023 RM'000
At 1 April 2023 / 1 April 2022	51,065	55,570
Currency translation differences	2,729	-
Other adjustments	-	(9,301)
Impaired during the financial year	-	4,796
At 30 September 2023 / 31 March 2023	<u>53,794</u>	<u>51,065</u>
Less: Lifetime ECL credit impaired (Stage 3)	<u>(53,794)</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>0.36%</u>	<u>0.33%</u>

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

Hong Kong	<u>53,794</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>53,794</u>	<u>51,065</u>
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(k) Credit-impaired loans, advances and financing by economic purpose:

Other purpose	<u>53,794</u>	<u>51,065</u>
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SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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)	2,406,408	(2,406,408)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(1,377,090)	1,377,090	-	-
Loans, advances and financing derecognised	(1,473,329)	(1,730,250)	-	(3,203,579)
New loans, advances and financing originated or purchased	2,211,219	357,906	-	2,569,125
Other adjustments	317,443	40,065	2,729	360,237
At 30 September 2023	<u>11,571,732</u>	<u>3,380,184</u>	<u>53,794</u>	<u>15,005,710</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 SEPTEMBER 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)	15,816	(15,816)	-	-
Transfer to lifetime ECL not credit- impaired (Stage 2)	(1,484)	1,484	-	-
Loans, advances and financing derecognised	(1,126)	(5,404)	-	(6,530)
New loans, advances and financing originated or purchased	2,639	385	-	3,024
Changes due to change in credit risk	(16,736)	(20,753)	2,729	(34,760)
At 30 September 2023	<u>5,418</u>	<u>12,959</u>	<u>53,794</u>	<u>72,171</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 September 2023 RM'000	31 March 2023 RM'000
Interest receivable	37,401	26,994
Amount due from related corporations	19,113	145
Cash collateral placements	37,257	11,050
Other receivables	348	247
Deposits	1,528	1,877
Prepayments	979	189
	<u>96,626</u>	<u>40,502</u>
Less: Allowance for ECL	(14)	(13)
	<u><u>96,612</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	1	-	-	1
At 30 September 2023	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</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.

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

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

	30 September 2023 RM'000	31 March 2023 RM'000
(a) By type of deposits:		
Demand deposits	2,466,232	2,235,810
Fixed deposits	11,931,398	11,504,049
Short-term deposits	3,086,258	2,987,960
	<u>17,483,888</u>	<u>16,727,819</u>

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

Due within six months	7,874,702	6,518,122
Six months to one year	416,453	1,901,511
One year to three years	3,052,499	2,386,673
Three years to five years	2,757,455	2,673,276
Five years to ten years	617,831	611,347
Ten years and above	298,716	401,080
	<u>15,017,656</u>	<u>14,492,009</u>

(b) By type of customers:

Domestic non-bank financial institutions	479,498	463,875
Domestic business enterprises	8,148,654	7,760,043
Branch of immediate holding corporation	8,642,434	7,884,512
Foreign non-bank entities	208,939	170,004
Domestic other entities	4,363	4,301
Government	-	445,084
	<u>17,483,888</u>	<u>16,727,819</u>

20. Deposits and placements of banks and other financial institutions

	30 September 2023 RM'000	31 March 2023 RM'000
Licensed Malaysian banks	509,394	753,424
Foreign banks		
- Immediate holding corporation	6,790,347	2,445,632
	<u>7,299,741</u>	<u>3,199,056</u>

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21. Other liabilities

	30 September 2023 RM'000	31 March 2023 RM'000
Interest payable	20,567	14,276
Amounts due to immediate holding corporation and related corporations/companies ^	146,441	88,041
Cash collateral placements *	250,480	91,442
Other payables	30,542	28,358
Accruals	9,960	19,082
	<u>457,990</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 September 2023 RM'000	31 March 2023 RM'000
Provision for credit commitments and contingencies	<u>3,027</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				
- Increase / (Decrease) in ECL	392	(4,846)	-	(4,454)
At 30 September 2023	<u>757</u>	<u>2,270</u>	<u>-</u>	<u>3,027</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 SEPTEMBER 2023****23. Interest income**

	2nd Quarter Ended		Six Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Loans, advances and financing				
- Interest income	158,427	96,698	312,142	161,247
- Financing income	17,671	15,443	34,119	24,118
Money at call and deposit placements with banks and other financial institutions	123,348	39,314	204,214	60,867
Debt instruments measured at FVOCI	7,087	2,637	12,771	4,942
	<u>306,533</u>	<u>154,092</u>	<u>563,246</u>	<u>251,174</u>

24. Interest expense

	2nd Quarter Ended		Six Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Deposits from customers	174,348	85,356	328,276	126,858
Deposits and placements of banks and other financial institutions	74,610	5,680	108,995	9,149
Lease liabilities and other	34	59	69	129
	<u>248,992</u>	<u>91,095</u>	<u>437,340</u>	<u>136,136</u>

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25. Other operating income

	2nd Quarter Ended		Six Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Fee and commission income				
- Service charges and guarantee fees	389	480	888	795
- Loan related fees	2,455	3,332	5,319	6,575
- Commitment fees	529	995	1,155	2,150
	<u>3,373</u>	<u>4,807</u>	<u>7,362</u>	<u>9,520</u>
Realised gain from derivative financial instruments	<u>11,362</u>	<u>4,188</u>	<u>21,905</u>	<u>11,028</u>
Unrealised (loss) / gain on revaluation of derivatives	<u>(7,537)</u>	<u>1,760</u>	<u>(12,705)</u>	<u>1,568</u>
Unrealised gain / (loss) on hedging activities	<u>1,143</u>	<u>(3,421)</u>	<u>(1,202)</u>	<u>(13,667)</u>
Foreign exchange, net gain	<u>41,783</u>	<u>30,391</u>	<u>74,020</u>	<u>52,806</u>
Other income				
- Management fees	10,040	7,024	18,963	14,046
- Rental of fixed assets	193	199	387	423
- Miscellaneous income	1,471	1,741	2,827	4,004
	<u>11,704</u>	<u>8,964</u>	<u>22,177</u>	<u>18,473</u>
	<u><u>61,828</u></u>	<u><u>46,689</u></u>	<u><u>111,557</u></u>	<u><u>79,728</u></u>

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

26. Other operating expenses

	2nd Quarter Ended		Six Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Personnel costs				
Salaries, allowances and bonuses	15,227	13,781	30,053	25,294
Employees' provident fund contributions	2,187	1,922	4,376	3,626
Staff training expenses	68	26	82	47
Staff welfare expenses	-	-	13	-
Other personnel expenses	1,029	1,427	2,573	2,742
	<u>18,511</u>	<u>17,156</u>	<u>37,097</u>	<u>31,709</u>
Establishment costs				
Depreciation - Plant and equipment	1,035	1,134	2,021	2,264
Depreciation - Right-of-use assets	1,061	1,159	2,105	2,324
Repair and maintenance	316	59	667	126
Other establishment expenses	4,218	3,471	7,811	7,335
	<u>6,630</u>	<u>5,823</u>	<u>12,604</u>	<u>12,049</u>
Marketing expenses				
Advertisement and publicity	45	44	86	86
Other marketing expenses	41	43	67	66
	<u>86</u>	<u>87</u>	<u>153</u>	<u>152</u>
Administration and general expenses				
Auditors' remuneration				
- Statutory audit	115	92	215	183
Professional fees	267	129	451	1,314
Communication expenses	168	202	310	257
Management fees	5,031	6,773	11,735	13,249
Licence fees and stamp duties	37	37	75	75
Non-executive directors' fees and allowances	266	202	523	419
Plant and equipment written off	-	-	-	1,484
Other administration and general expenses	2,635	2,654	5,345	5,265
	<u>8,519</u>	<u>10,089</u>	<u>18,654</u>	<u>22,246</u>
	<u><u>33,746</u></u>	<u><u>33,155</u></u>	<u><u>68,508</u></u>	<u><u>66,156</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 SEPTEMBER 2023****27. (Writeback of) / Allowance for impairment on loans, advances and financing**

	2nd Quarter Ended		Six Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	RM'000	RM'000	RM'000	RM'000
<u>(Writeback of) / Allowance for ECL</u>				
Loans, advances and financing	(30,616)	8,925	(38,266)	8,422
Provision for credit commitments and contingencies	(4,610)	4,603	(4,454)	2,556
	<u>(35,226)</u>	<u>13,528</u>	<u>(42,720)</u>	<u>10,978</u>

28. Writeback of impairment on other financial assets

	2nd Quarter Ended		Six Months Ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	RM'000	RM'000	RM'000	RM'000
<u>(Writeback of) / Allowance for ECL</u>				
Cash and short-term funds	(997)	(455)	(938)	(412)
Deposits and placements with banks and other financial institutions	483	37	(697)	(72)
Debt instruments measured at FVOCI	(221)	(87)	(513)	(124)
Other assets	(2)	27	1	2
	<u>(737)</u>	<u>(478)</u>	<u>(2,147)</u>	<u>(606)</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 SEPTEMBER 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 September 2023								
Assets								
Cash and short-term funds	9,284,441	-	-	-	-	178,609	-	9,463,050
Deposits and placements with banks and other financial institutions	-	2,227,264	895,595	-	-	(824)	-	3,122,035
Debt instruments measured at FVOCI	949,313	261,538	30,177	191,378	-	-	-	1,432,406
Loans, advances and financing								
- non-impaired	2,691,015	497,454	2,480,816	8,353,167	929,464	(18,377)	-	14,933,539
- impaired	-	-	-	53,794	-	(53,794)	-	-
Derivative financial assets	-	-	27,845	4,933	-	-	856,804	889,582
Other assets [^]	54,556	11,458	8,805	-	-	20,814	-	95,633
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	650	-	650
Total assets	12,979,325	2,997,714	3,443,238	8,603,272	929,464	127,078	856,804	29,936,895

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

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 September 2023								
<u>Liabilities</u>								
Deposits from customers	4,979,707	1,235,913	2,105,682	5,779,808	916,546	2,466,232	-	17,483,888
Deposits and placements of banks and other financial institutions	4,116,415	1,320,444	1,856,120	-	-	6,762	-	7,299,741
Bills and acceptances payable	-	-	694	-	-	-	-	694
Derivative financial liabilities	-	-	-	-	-	-	766,534	766,534
Other liabilities *	56,262	15,144	48,989	25,080	3,806	271,253	-	420,534
Lease liabilities	84	168	755	1,509	-	-	-	2,516
Total liabilities	9,152,468	2,571,669	4,012,240	5,806,397	920,352	2,744,247	766,534	25,973,907
On balance sheet interest rate gap	3,826,857	426,045	(569,002)	2,796,875	9,112	(2,617,169)	90,270	3,962,988
Off balance sheet interest rate gap	-	2,260,396	(705,820)	(1,340,728)	(213,848)	-	-	-
Total interest rate gap	3,826,857	2,686,441	(1,274,822)	1,456,147	(204,736)	(2,617,169)	90,270	3,962,988

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

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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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023****30. Use of Financial Instruments (continued)****Interest / profit rate risk (continued)**

	30 September 2023		31 March 2023	
	MYR	USD	MYR	USD
	% p.a.	% p.a.	% p.a.	% p.a.
Financial assets				
Cash and short-term funds	3.03	5.41	2.75	4.93
Deposits and placements with banks and other financial institutions	-	5.69	3.61	5.18
Loans, advances and financing	4.57	6.51	4.41	5.91
Financial liabilities				
Deposits from customers	3.20	5.56	2.97	4.90
Deposits and placements of banks and other financial institutions	3.39	5.45	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 September 2023 RM'000	31 March 2023 RM'000
Aggregate value of outstanding credit exposures to connected parties	565,675	258,775
As a percentage of total credit exposures	1.50%	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 September 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	166,236	145,967
	<u>3,906,948</u>	<u>3,886,679</u>
Less: 55% of fair value reserve	(368)	(1,318)
Regulatory reserve	<u>(165,567)</u>	<u>(143,570)</u>
Total Common Equity Tier 1 (CET 1) and Tier 1 Capital	<u>3,741,013</u>	<u>3,741,791</u>
<u>Tier 2 capital</u>		
Expected credit losses	24,000	71,596
Regulatory reserve *	165,567	113,958
Tier 2 Capital	<u>189,567</u>	<u>185,554</u>
	<u>3,930,580</u>	<u>3,927,345</u>
<u>Capital ratios</u>		
CET 1 and Tier 1 capital ratio	22.968%	23.563%
Total capital ratio	24.132%	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 September 2023 RM'000	31 March 2023 RM'000
Credit risk	15,223,378	14,844,282
Market risk	311,089	319,711
Operational risk	753,543	716,237
Total risk-weighted assets	<u>16,288,010</u>	<u>15,880,230</u>

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

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 September 2023			
Transaction-related contingent items	427,524	211,520	211,520
Short-term self-liquidating trade-related contingencies	424,616	84,430	84,430
Foreign exchange related contracts:			
- Less than one year	12,323,063	377,774	255,218
- One year to less than five years	11,468,680	1,640,905	989,122
- Five years and above	575,919	119,292	94,355
Interest / Profit rate related contracts:			
- Less than one year	705,820	2,192	1,741
- One year to less than five years	1,340,728	76,742	46,453
- Five years and above	213,848	41,833	29,470
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,381,925	276,311	226,061
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	9,902,740	4,951,153	4,834,919
Total	38,764,863	7,782,152	6,773,289

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

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 September 2023 RM'000	31 March 2023 RM'000
(i) By type:		
<u>At amortised cost:</u>		
Term financing		
- Syndicated Islamic financing	541,557	532,309
- Islamic term financing	615,695	426,216
Revolving credit-i	577,666	657,411
Gross financing and advances	1,734,918	1,615,936
Less: Allowance for ECL		
- 12-month ECL (Stage 1)	(477)	(538)
- Lifetime ECL not credit impaired (Stage 2)	-	(5,789)
Net financing and advances	1,734,441	1,609,609
(ii) By contract:		
Murabahah	1,734,918	1,615,936
Gross financing and advances	1,734,918	1,615,936

(b) Deposits from customers

	30 September 2023 RM'000	31 March 2023 RM'000
(i) By type and contract:		
<u>At amortised cost:</u>		
Demand deposits - Qard	372	11,325
	372	11,325

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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. 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 September 2023 is summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	Note	30 September 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)	853	383
Total liabilities		<u>853</u>	<u>383</u>
Capital funds		<u>29,147</u>	<u>29,617</u>
Islamic banking funds		<u>29,147</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
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2023**

35. The operations of Islamic Banking Window (continued)

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

	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
				RM'000	RM'000
Other operating expenses	(c)	(235)	-	(470)	-
Loss before taxation		(235)	-	(470)	-
Tax expense		-	-	-	-
Loss for the period		(235)	-	(470)	-

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 period	-	(470)	(470)
At 30 September 2023	30,000	(853)	29,147
At 1 April 2022	-	-	-
Capital contribution	-	-	-
Loss for the period	-	-	-
At 30 September 2022	-	-	-

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

35. The operations of Islamic Banking Window (continued)

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

	30 September 2023 RM'000	30 September 2022 RM'000
Cash flows from operating activities		
Loss before taxation	(470)	-
Operating loss before working capital changes	(470)	-
Increase in operating liabilities:		
Other liabilities	470	-
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 SEPTEMBER 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 September 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 September 2023 RM'000	31 March 2023 RM'000
Amounts due to conventional banking	853	383

(c) Other operating expenses

	2nd Quarter Ended		Six Months Ended	
	30 September 2023 RM'000	30 September 2022 RM'000	30 September 2023 RM'000	30 September 2022 RM'000
Salaries, allowances and bonuses	235	-	470	-

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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 September 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: 31 October 2023