

**SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD**

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**30 SEPTEMBER 2013**

# SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

## UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	Note	30 September 2013 RM'000	31 March 2013 RM'000
<b>Assets</b>			
Cash and short-term funds		1,174,966	1,095,919
Deposits and placements with banks and other financial institutions		415,251	250,000
Investment securities available-for-sale	10	64,712	64,656
Loans, advances and financing	11	1,136,623	1,095,987
Derivative financial assets		78,710	63,274
Other assets		6,247	7,872
Plant and equipment		7,565	9,056
Deferred tax assets		1,964	1,882
<b>Total assets</b>		<u>2,886,038</u>	<u>2,588,646</u>
<b>Liabilities</b>			
Deposits from customers	12	1,517,682	1,281,746
Deposits and placements of banks and other financial institutions	13	528,905	528,355
Bills and acceptances payable		4,178	2,684
Derivative financial liabilities		32,098	22,210
Other liabilities		55,724	14,937
Tax payable		1,748	4,708
<b>Total liabilities</b>		<u>2,140,335</u>	<u>1,854,640</u>
<b>Equity</b>			
Share capital		700,000	700,000
Reserves		45,703	34,006
<b>Total equity attributable to equity holder of the Bank</b>		<u>745,703</u>	<u>734,006</u>
<b>Total liabilities and equity</b>		<u>2,886,038</u>	<u>2,588,646</u>
<b>Commitments and contingencies</b>	25	<u>5,505,857</u>	<u>4,302,976</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 2013**

	Note	2nd Quarter Ended		Half Year Ended	
		30 September 2013 RM'000	30 September 2012 RM'000 Restated	30 September 2013 RM'000	30 September 2012 RM'000 Restated
Interest income	14	20,587	13,638	38,671	23,017
Interest expense	15	(8,654)	(5,442)	(16,207)	(10,431)
<b>Net interest income</b>		<u>11,933</u>	<u>8,196</u>	<u>22,464</u>	<u>12,586</u>
Other operating income	16	6,628	15,291	17,449	40,984
Net operating income		<u>18,561</u>	<u>23,487</u>	<u>39,913</u>	<u>53,570</u>
Other operating expenses	17	(11,925)	(9,601)	(23,917)	(20,663)
Operating profit		<u>6,636</u>	<u>13,886</u>	<u>15,996</u>	<u>32,907</u>
Allowance for impairment on loans, advances and financing	18	(517)	(4,129)	(307)	(4,849)
<b>Profit before taxation</b>		<u>6,119</u>	<u>9,757</u>	<u>15,689</u>	<u>28,058</u>
Tax expense		<u>(1,592)</u>	<u>(3,807)</u>	<u>(4,034)</u>	<u>(8,370)</u>
<b>Profit after taxation</b>		<u>4,527</u>	<u>5,950</u>	<u>11,655</u>	<u>19,688</u>
<b>Other comprehensive income for the period, net of income tax</b>					
Fair value changes of investment securities available-for-sale		(10)	12	42	31
<b>Total comprehensive income for the period</b>		<u>4,517</u>	<u>5,962</u>	<u>11,697</u>	<u>19,719</u>
Basic earnings per ordinary share (sen)		<u>0.65</u>	<u>0.85</u>	<u>1.67</u>	<u>2.81</u>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	<i>← Non-distributable reserves →</i>			<i>Distributable reserves</i>	<b>Total RM'000</b>
	<b>Share capital RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Available- for-sale reserve RM'000</b>	<b>Retained earnings/ (Accumulated losses) RM'000</b>	
<b>At 1 April 2013</b>	700,000	19,256	(42)	14,792	734,006
Profit for the period	-	-	-	11,655	11,655
Fair value changes of available-for-sale financial assets	-	-	42	-	42
<b>Total comprehensive income for the period</b>	-	-	42	11,655	11,697
<b>At 30 September 2013</b>	700,000	19,256	-	26,447	745,703
<b>At 1 April 2012</b>	350,000	3,170	(5)	(1,293)	351,872
Issuance of shares	350,000	-	-	-	350,000
Profit for the period	-	-	-	19,688	19,688
Fair value changes of available-for-sale financial assets	-	-	31	-	31
<b>Total comprehensive income for the period</b>	-	-	31	19,688	19,719
<b>At 30 September 2012</b>	700,000	3,170	26	18,395	721,591

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000 Restated</b>
<b>Cash flows from operating activities</b>		
Profit from ordinary activities before taxation	15,689	28,058
Adjustments for non-cash items	(4,567)	(33,834)
Operating profit/ (loss) before working capital changes	11,122	(5,776)
Changes in working capital:		
Net changes in operating assets	(204,569)	(806,162)
Net changes in operating liabilities	278,767	669,551
Net cash generated from/ (used in) operating activities	85,320	(142,387)
Tax paid	(7,090)	(898)
<b>Net cash generated from/ (used in) operating activities</b>	<b>78,230</b>	<b>(143,285)</b>
Net cash generated from/ (used in) investing activities	817	(15,828)
Net cash generated from financing activities	-	350,000
<b>Net increase in cash and cash equivalents during the financial period</b>	<b>79,047</b>	<b>190,887</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>1,095,919</b>	<b>741,953</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,174,966</b>	<b>932,840</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and short-term funds	1,174,966	932,840

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**1. Basis of Preparation**

The unaudited condensed interim financial statements for the second quarter and financial half year ended 30 September 2013 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”).

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank as at and for the financial year ended 31 March 2013. 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 2013.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited financial statements for the year ended 31 March 2013, except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations that have been issued by the MASB:-

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits (as amended in June 2011)
- MFRS 127, Separate Financial Statements (as amended by IASB in May 2011)
- MFRS 128, Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle: Repeated Application of MFRS 1 and Borrowing Cost)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**1. Basis of Preparation (Continued)**

- Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11, Joint Arrangements: Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle: Clarification of the Requirements for Comparative Information)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle: Classification of Servicing Equipment)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle: Tax Effect of Distribution to Holders of Equity Instruments)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle: Interim Financial Reporting and Segment Information for Total Assets and Liabilities)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

IC Interpretation 20 does not have any impact on the financial statements of the Bank as it is not relevant to the operations of the Bank. The adoption of the remaining MFRSs, Amendments to MFRSs and IC Interpretations do not have any material impact on the financial statements of the Bank.

The following MFRSs, Amendments to MFRSs have been issued by the MASB but are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for annual periods commencing on or after 1 January 2015

- MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in November 2009)

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**1. Basis of Preparation (Continued)**

Effective for annual periods commencing on or after 1 January 2015 (Continued)

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

The Bank plans to apply the abovementioned standards and amendments:-

- from the annual period beginning on 1 April 2014 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2014
- from the annual period beginning on 1 April 2015 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2015

Except for MFRS 9, the initial application of all the above applicable MFRSs and amendments is not expected to have any material impact on the financial statements upon their first adoption.

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9.

**2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2013 was not subject to any qualification.

**3. Seasonal or Cyclical Factors**

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



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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the second quarter and financial half year ended 30 September 2013.

**5. Changes in Estimates**

There was no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the second quarter and financial half year ended 30 September 2013.

**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 half year ended 30 September 2013.

**7. Dividend**

No dividend was paid during the second quarter and financial half year ended 30 September 2013.

**8. Review of Performance**

The Bank recorded profit before taxation of RM15.7 million for the financial half year ended 30 September 2013, a decrease of RM12.4 million or 44.1% compared against the corresponding period last year. The decline in profits was mainly contributed by a decrease in net operating income of RM13.7 million or 25.6% to RM39.9 million, followed by a rise in other operating expenses of RM3.2 million or 15.5% to RM23.9 million, mitigated by lower collective impairment on loans, advances and financing of RM4.5 million (93.8%).

The drop in net operating income was mainly on lower gain from derivative financial instruments (-RM27.4 million or 91.6%), partly mitigated by higher net interest income (+RM9.9 million or 78.6%) and foreign exchange gain (+RM2.6 million or 29.5%).

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**8. Review of Performance (Continued)**

Total assets at 30 September 2013 stood at RM2,886.0 million, RM297.4 million higher compared against 31 March 2013. Deposits and placements with banks and other financial institutions recorded an increase of RM165.3 million, followed by increases in cash and short term funds of RM79.1 million, loans, advances and financing of RM40.6 million, and derivative financial assets of RM15.4 million.

**9. Current Year Prospects**

Malaysia's GDP is expected to grow steadily at 4.5%-5.0% in year 2013 supported by moderate domestic demand and favorable economic outlook in the region. The Bank foresees that the growth of Malaysian banking industry to also remain stable for coming few years. For the financial year ending 31 March 2014, the Bank will continue to offer basic commercial banking services such as loan, deposit, foreign exchange, derivatives and cash management service to both Japanese and Non-Japanese clients. In order to grow sustainably, the Bank needs to strengthen its base income by capturing the flow of business of the clients. The Bank continues to make efforts to support the trade and investment between Japan and Malaysia which will contribute to further growth of Malaysian economy.

**10. Investments Securities Available-for-Sale**

	<b>30</b>	<b>31</b>
	<b>September</b>	<b>March</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Bank Negara Malaysia Bills	64,712	54,714
Malaysian Government Treasury Bills	-	9,942
	64,712	64,656

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**11. Loans, Advances and Financing**

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
<b>(a) By type:</b>		
At amortised cost:		
Syndicated term loans	349,510	290,607
Other term loans	423,762	360,515
Trade bills discounted	3,727	2,859
Revolving credits	361,068	450,289
Factoring receivables	7,146	-
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>
Less: Allowance for impairment		
- Collective allowance for impairment	<u>(8,590)</u>	<u>(8,283)</u>
Net loans, advances and financing	<u><u>1,136,623</u></u>	<u><u>1,095,987</u></u>
<b>(b) By type of customer:</b>		
Domestic non-bank financial institutions	202,228	253,838
Domestic business enterprises	715,045	639,853
Foreign entities	227,940	210,579
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>
<b>(c) By geographical distribution:</b>		
Malaysia	917,273	893,691
Other countries	227,940	210,579
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>
<b>(d) By interest rate sensitivity:</b>		
Fixed rate		
- Other fixed rate loans	66,074	73,146
Variable rate		
- Cost-plus	556,014	539,600
- Other variable rates	523,125	491,524
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**11. Loans, Advances and Financing (Continued)**

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
<b>(e) By sector:</b>		
Manufacturing	416,596	412,579
Electricity, gas and water	127,665	77,631
Construction	5,487	1,050
Wholesale and retail trade, and restaurants and hotels	43,727	60,508
Transport, storage and communication	68,808	80,028
Finance, insurance, real estate and business services	458,664	472,474
Education, health and others	24,266	-
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>
<b>(f) By economic purposes:</b>		
Working Capital	807,818	861,588
Purchase of non-residential property		
- Commercial complexes	132,044	117,720
- Purchase of fixed assets other than land and building	7,606	7,597
Purchase of residential property	28,496	-
Construction	8,518	9,536
Other purpose	160,731	107,829
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>
<b>(g) By residual contractual maturity:</b>		
Maturing within one year	390,405	427,128
One year to three years	213,394	106,608
Three years to five years	345,808	379,140
More than five years	195,606	191,394
Gross loans, advances and financing	<u>1,145,213</u>	<u>1,104,270</u>

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**11. Loans, Advances and Financing (Continued)**

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
<b>(h) Movements in collective allowance for impairment on loans, advances and financing:</b>		
At beginning of the financial period	8,283	2,770
Allowance made during the financial period	307	5,513
At end of the financial period	8,590	8,283
 (As % of gross loans, advances and financing (net of individual allowance))	 0.75%	 0.75%

**12. Deposits from Customers**

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
<b>(a) By type of deposits:</b>		
Demand deposits	558,651	453,839
Fixed deposits	457,774	322,685
Short-term deposits	501,257	505,222
	1,517,682	1,281,746
<b>(b) By type of customers:</b>		
Domestic non-bank financial institutions	68,241	62,737
Domestic business enterprises	1,445,742	1,209,422
Foreign non-bank entities	3,699	9,587
	1,517,682	1,281,746

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**12. Deposits from Customers (Continued)**

	<b>30</b>	<b>31</b>
	<b>September</b>	<b>March</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(c) Maturity structure of fixed deposits:</b>		
Due within six months	408,174	316,119
Six months to one year	49,600	6,566
	457,774	322,685

**13. Deposits and Placements of Banks and Other Financial Institutions**

	<b>30</b>	<b>31</b>
	<b>September</b>	<b>March</b>
	<b>2013</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed Malaysian banks	-	80,000
Foreign banks	528,905	448,355
	528,905	528,355

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**14. Interest Income**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>
Loans, advances and financing				
- Interest income other than from impaired loans	8,692	5,005	16,009	8,669
Money at call and deposit placements with banks and other financial institutions	11,259	8,341	21,488	13,832
Accretion of discount on debt securities held	526	292	963	516
Others	110	-	211	-
	<u>20,587</u>	<u>13,638</u>	<u>38,671</u>	<u>23,017</u>

**15. Interest Expense**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>
Deposits and placement of bank and other financial institutions	1,114	367	1,907	990
Deposits from customers	6,790	5,075	12,903	9,391
Others	750	-	1,397	50
	<u>8,654</u>	<u>5,442</u>	<u>16,207</u>	<u>10,431</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**16. Other Operating Income**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>
Fee and commission income/ (expense)				
- Service charges/ fees	17	12	38	17
- Guarantee fees	73	(20)	140	15
- Loan related fees	25	(14)	90	916
- Commitment fees	90	-	179	-
	<u>205</u>	<u>(22)</u>	<u>447</u>	<u>948</u>
Gain from derivative financial instruments	<u>1,711</u>	<u>373</u>	<u>3,649</u>	<u>1,479</u>
Unrealised net gain/ (loss) on revaluation of derivatives	<u>(1,649)</u>	<u>9,505</u>	<u>(1,165)</u>	<u>28,450</u>
Foreign exchange net gain	<u>4,564</u>	<u>5,548</u>	<u>11,432</u>	<u>8,798</u>
Other income				
- Management fees	1,154	(528)	2,026	496
- Rental of fixed assets	350	372	693	736
- Miscellaneous income	293	43	367	77
	<u>1,797</u>	<u>(113)</u>	<u>3,086</u>	<u>1,309</u>
	<u><u>6,628</u></u>	<u><u>15,291</u></u>	<u><u>17,449</u></u>	<u><u>40,984</u></u>



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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

**17. Other Operating Expenses**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>	<b>30 September 2013 RM'000</b>	<b>30 September 2012 RM'000</b>
<b>Personnel costs</b>				
Salaries, allowances and bonuses	3,095	2,765	6,412	5,477
Employees' provident fund	508	262	781	459
Staff training expenses	114	121	180	208
Staff welfare expenses	20	11	20	11
Other personnel expenses	476	396	1,931	1,809
	<u>4,213</u>	<u>3,555</u>	<u>9,324</u>	<u>7,964</u>
<b>Establishment costs</b>				
Rental of premises	230	230	461	461
Depreciation	823	770	1,637	1,537
Repair and maintenance	36	(36)	56	35
Other establishment expenses	2,003	1,346	3,640	2,792
	<u>3,092</u>	<u>2,310</u>	<u>5,794</u>	<u>4,825</u>
<b>Marketing expenses</b>				
Advertisement and publicity	24	15	39	30
Other marketing expenses	15	16	22	41
	<u>39</u>	<u>31</u>	<u>61</u>	<u>71</u>

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**17. Other Operating Expenses (Continued)**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Administration and general expenses</b>				
Auditors' remuneration				
- Statutory audit	45	50	90	90
- Other services	25	9	50	19
Professional fees	96	61	133	92
Communication expenses	34	38	120	134
Management fees	3,834	2,737	7,252	6,105
License fees and stamp duties	27	27	55	55
Non-executive directors' fees and allowances	60	64	124	111
Other administration and general expenses	460	719	914	1,197
	<u>4,581</u>	<u>3,705</u>	<u>8,738</u>	<u>7,803</u>
	<u>11,925</u>	<u>9,601</u>	<u>23,917</u>	<u>20,663</u>

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**18. Allowance for Impairment on Loans, Advances and Financing**

	2nd Quarter Ended		Half Year Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Collective impairment allowance made	517	4,129	307	4,849

**19. 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 2013 RM'000	31 March 2013 RM'000
Aggregate value of outstanding credit exposures to connected parties (RM'000)	65,105	77,659
As a percentage of total credit exposures	5.68%	7.03%

**20. 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.

**21. Subsequent Events**

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

**22. Changes in the Composition of the Bank**

There were no significant changes in the composition of the Bank during the second quarter and six months ended 30 September 2013.

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**23. 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 →					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			
<b>30 September 2013</b>								
<b><u>Assets</u></b>								
Cash and short-term funds	1,154,065	-	-	-	-	20,901	-	1,174,966
Deposits and placements with banks and other financial institutions	-	315,251	100,000	-	-	-	-	415,251
Investment securities available-for-sale	34,998	-	29,714	-	-	-	-	64,712
Loans, advances and financing	575	571	8,159	855,978	279,930	(8,590) ^	-	1,136,623
Other assets	2,243	473	-	-	-	3,374	-	6,090
Derivative financial assets	7,538	15,681	10,743	7,182	3,659	-	33,907	78,710
<b>Total assets</b>	<b>1,199,419</b>	<b>331,976</b>	<b>148,616</b>	<b>863,160</b>	<b>283,589</b>	<b>15,685</b>	<b>33,907</b>	<b>2,876,352</b>

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

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**23. Use of Financial Instruments (Continued)**

Interest rate risk (continued)

	←————— Non-trading book —————→						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
<b>30 September 2013</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	(866,015)	(39,350)	(53,667)	-	-	(558,650)	-	(1,517,682)
Deposits and placements of banks and other financial institutions	(97,877)	(3,719)	(131,622)	(172,276)	(119,185)	(4,226)	-	(528,905)
Other liabilities	(1,337)	(249)	(437)	(47)	(89)	(53,521)	-	(55,680)
Derivative financial liabilities	-	-	-	-	-	-	(32,098)	(32,098)
<b>Total liabilities</b>	<b>(965,229)</b>	<b>(43,318)</b>	<b>(185,726)</b>	<b>(172,323)</b>	<b>(119,274)</b>	<b>(616,397)</b>	<b>(32,098)</b>	<b>(2,134,365)</b>
On balance sheet interest rate gap	234,190	288,658	(37,110)	690,837	164,315	(600,712)	1,809	741,987
Off balance sheet interest rate gap	(2,500)	401,865	(26,000)	(164,561)	(208,804)	-	-	-
<b>Total interest rate gap</b>	<b>231,690</b>	<b>690,523</b>	<b>(63,110)</b>	<b>526,276</b>	<b>(44,489)</b>	<b>(600,712)</b>	<b>1,809</b>	<b>741,987</b>

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**23. Use of Financial Instruments (Continued)**

Interest rate risk (continued)

	← Non-trading book →						Trading book RM'000	Total RM'000
	Up to 1 Month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- Interest bearing RM'000		
<b>31 March 2013</b>								
<u>Assets</u>								
Cash and short-term funds	1,079,907	-	-	-	-	16,012	-	1,095,919
Deposits and placements with banks and other financial institutions	-	250,000	-	-	-	-	-	250,000
Investment securities available-for- sale	9,989	54,667	-	-	-	-	-	64,656
Loans, advances and financing	695	658	5,485	675,031	422,401	(8,283) ^	-	1,095,987
Other assets	5,826	867	-	-	-	990	-	7,683
Derivative financial assets	2,188	2,493	10,310	1,128	3,017	-	44,138	63,274
<b>Total assets</b>	<b>1,098,605</b>	<b>308,685</b>	<b>15,795</b>	<b>676,159</b>	<b>425,418</b>	<b>8,719</b>	<b>44,138</b>	<b>2,577,519</b>

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

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**23. Use of Financial Instruments (Continued)**

Interest rate risk (continued)

	←———— Non-trading book —————→						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
<b>31 March 2013</b>								
<b><u>Liabilities</u></b>								
Deposits from customers	(682,313)	(107,315)	(38,281)	-	-	(453,837)	-	(1,281,746)
Deposits and placements of banks and other financial institutions	(98,980)	(33,750)	(117,346)	(163,167)	(113,849)	(1,263)	-	(528,355)
Other liabilities	(1,088)	(440)	(733)	(45)	(93)	(12,300)	-	(14,699)
Derivative financial liabilities	-	-	-	-	-	-	(22,210)	(22,210)
<b>Total liabilities</b>	<b>(782,381)</b>	<b>(141,505)</b>	<b>(156,360)</b>	<b>(163,212)</b>	<b>(113,942)</b>	<b>(467,400)</b>	<b>(22,210)</b>	<b>(1,847,010)</b>
On balance sheet interest rate gap	316,224	167,180	(140,565)	512,947	311,476	(458,681)	21,928	730,509
Off balance sheet interest rate gap	(500)	394,436	(21,500)	(174,673)	(197,763)	-	-	-
<b>Total interest rate gap</b>	<b>315,724</b>	<b>561,616</b>	<b>(162,065)</b>	<b>338,274</b>	<b>113,713</b>	<b>(458,681)</b>	<b>21,928</b>	<b>730,509</b>

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**23. Use of Financial Instruments (Continued)**

Interest rate risk (continued)

	<b>30 September 2013</b>		<b>31 March 2013</b>	
	<b>MYR</b>	<b>USD</b>	<b>MYR</b>	<b>USD</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Financial assets</b>				
Cash and short-term funds	3.08	0.50	3.08	0.14
Deposits and placements with banks and other financial institutions	2.97	0.74	3.19	-
Loans, advances and financing	4.12	1.51	4.04	1.51
<b>Financial liabilities</b>				
Deposits from customers	3.03	0.20	3.02	0.18
Deposits and placements of banks and other financial institutions	0.00	0.38	3.10	0.38



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**24. Capital Adequacy**

Capital adequacy ratios of the Bank are computed in accordance with BNM's Risk-Weighted Capital Adequacy Framework (RWCAF)- Basel III.

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

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
<b><u>Tier 1 Capital</u></b>		
Paid-up ordinary share capital	700,000	700,000
Retained earnings	14,792	14,792
Statutory reserve	19,256	19,256
Available-for-sale reserve	-	(42)
	734,048	734,006
Less: Deferred tax assets	(1,882)	(1,882)
Common Equity Tier 1 (CET 1) and Tier-1 Capital	732,166	732,124
<b><u>Tier 2 Capital</u></b>		
Collective allowance for impairment	8,590	8,283
Tier 2 Capital	8,590	8,283
Total capital	740,756	740,407
<b><u>Capital ratios</u></b>		
CET 1 and Tier 1 Capital Ratio	37.295%	42.925% *
Total Capital Ratio	37.733%	43.410% *

\* The comparative percentages have been restated from two decimal places to three decimal places in accordance with revised Guidelines on Financial Reporting issued by BNM on 28 June 2013.

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**24. Capital Adequacy (Continued)**

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

	<b>30 September 2013 RM'000</b>	<b>31 March 2013 RM'000</b>
Credit risk	1,774,717	1,496,638
Market risk	73,799	74,439
Operational risk	114,633	134,531
Total risk-weighted assets	<u>1,963,149</u>	<u>1,705,608</u>

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**25. Commitments and Contingencies**

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

The commitment and contingencies are as follows:

	← 30 September 2013 →			← 31 March 2013 →		
	Principal amount RM'000	Credit equivalent* RM'000	Risk- weighted assets RM'000	Principal amount RM'000	Credit equivalent* RM'000	Risk- weighted assets RM'000
Transaction related contingent items	84,246	42,123	29,043	87,084	43,542	30,546
Short-term self-liquidating trade-related contingencies	623	125	125	929	186	186
Foreign exchange related contracts:						
One year or less	2,153,572	65,319	33,244	1,886,538	43,716	26,535
Over one year to five years	1,955,951	237,251	94,125	1,506,424	185,273	67,612
Over five years	71,953	32,970	8,723	71,930	36,247	9,672
Interest/ profit rate related contracts						
One year or less	32,000	68	14	22,000	70	14
Over one year to five years	164,561	5,639	3,197	174,673	7,048	4,973
Over five years	208,804	20,364	10,862	197,763	20,816	16,348
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	443,345	221,672	221,672	51,186	25,593	25,593
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	390,802	78,160	71,760	304,449	60,890	60,890
<b>Total</b>	<b>5,505,857</b>	<b>703,691</b>	<b>472,765</b>	<b>4,302,976</b>	<b>423,381</b>	<b>242,369</b>

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

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**26. Comparative Figures**

The presentation and classification of items in the current financial statements are consistent with the previous financial year except for the followings:

Restatement upon revision of collective impairment provision model used:

<b>Statement of Changes in Equity 1 April 2012</b>			<b>As previously stated RM'000</b>	
	<b>As restated RM'000</b>		<b>RM'000</b>	
Statutory Reserve	3,170		2,132	
Accumulated losses	(1,293)		(2,332)	
	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 September 2012</b>	<b>30 September 2012</b>	<b>30 September 2012</b>	<b>30 September 2012</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>	<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
Allowance for impairment on loans, advances and financing	(4,129)	(8,258)	(4,849)	(9,698)
Tax expense	(3,807)	(2,774)	(8,370)	(7,157)
			<b>As restated RM'000</b>	<b>As previously stated RM'000</b>
<b>Statement of Cash Flows 30 September 2012</b>			<b>RM'000</b>	<b>RM'000</b>
Adjustments for non-cash items			(33,834)	(38,683)
Net changes in operating assets			(806,162)	(796,464)

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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 2013 have been prepared from the Bank's accounting and other records and they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board and the Revised Guidelines on Financial Reporting issued by Bank Negara Malaysia on 28 June 2013.

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Yasuhiro Oashi  
Chief Executive Officer

Date: 28 October 2013