

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 September 2016

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 2016

	Note	30 September 2016 RM'000	31 March 2016 RM'000
Assets			
Cash and short-term funds		5,365,164	4,800,811
Deposits and placements with banks and other financial institutions		1,574,273	187,530
Investment securities available-for-sale	10	442,121	160,975
Loans, advances and financing	11	7,961,741	6,368,607
Derivative financial assets		717,189	669,079
Other assets		21,119	30,707
Statutory deposits with Bank Negara Malaysia		2,844	-
Plant and equipment		16,467	17,840
Tax recoverable		12,821	9,188
Total assets		<u>16,113,739</u>	<u>12,244,737</u>
Liabilities			
Deposits from customers	12	9,596,632	6,838,407
Deposits and placements of banks and other financial institutions	13	3,673,789	2,680,274
Bills and acceptances payable		1,560	378
Derivative financial liabilities		626,099	578,483
Other liabilities		422,136	383,651
Deferred tax liabilities		20,813	18,594
Total liabilities		<u>14,341,027</u>	<u>10,499,787</u>
Equity			
Share capital		1,575,000	1,575,000
Reserves		197,710	169,950
Total equity attributable to owners of the Bank		<u>1,772,710</u>	<u>1,744,950</u>
Total liabilities and equity		<u>16,113,739</u>	<u>12,244,737</u>
Commitments and contingencies	24	<u>20,161,403</u>	<u>16,888,946</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 2016**

	Note	2nd Quarter Ended		Half Year Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	14	87,740	62,972	167,464	109,210
Interest expense	15	(53,529)	(32,614)	(100,197)	(58,662)
Net interest income		<u>34,211</u>	<u>30,358</u>	<u>67,267</u>	<u>50,548</u>
Other operating income	16	16,085	21,469	30,665	30,662
Net operating income		<u>50,296</u>	<u>51,827</u>	<u>97,932</u>	<u>81,210</u>
Other operating expenses	17	(21,903)	(16,063)	(41,890)	(31,235)
Operating profit		<u>28,393</u>	<u>35,764</u>	<u>56,042</u>	<u>49,975</u>
Allowance for impairment on loans, advances and financing	18	6,811	(6,572)	(20,903)	(10,935)
Profit before taxation		<u>35,204</u>	<u>29,192</u>	<u>35,139</u>	<u>39,040</u>
Tax expense		(8,356)	(7,125)	(8,472)	(9,449)
Profit after taxation		<u>26,848</u>	<u>22,067</u>	<u>26,667</u>	<u>29,591</u>
Other comprehensive income for the period, net of income tax					
Fair value changes of investment securities available-for-sale		1,324	98	1,093	20
Total comprehensive income for the period		<u><u>37,252</u></u>	<u><u>22,165</u></u>	<u><u>27,760</u></u>	<u><u>29,611</u></u>
Basic earnings per ordinary share (sen)		<u>1.70</u>	<u>1.72</u>	<u>1.69</u>	<u>2.31</u>

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	← <i>Non-distributable reserves</i> →				<i>Distributable reserves</i>	
	Share capital RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Available- for-sale reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2016	1,575,000	87,018	41,624	379	40,929	1,744,950
Profit for the period	-	-	-	-	26,667	26,667
Fair value changes of available-for-sale financial assets	-	-	-	1,093	-	1,093
Total comprehensive income for the period	-	-	-	1,093	-	-
Transfer to regulatory reserve	-	-	-	-	-	-
At 30 September 2016	1,575,000	87,018	41,624	1,472	67,596	1,772,710
At 1 April 2015	700,000	49,673	16,751	(8)	28,457	794,873
Issuance of shares	875,000	-	-	-	-	875,000
Profit for the period	-	-	-	-	29,591	29,591
Fair value changes of available-for-sale financial assets	-	-	-	20	-	20
Total comprehensive income for the period	-	-	-	20	-	-
Transfer to regulatory reserve	-	-	6,675	-	(6,675)	-
At 30 September 2015	1,575,000	49,673	23,426	12	51,373	1,699,484

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	30 September 2016 RM'000	30 September 2015 RM'000
Cash flows from operating activities		
Profit from ordinary activities before taxation	35,139	39,040
Adjustments for non-cash items	22,926	(26,314)
Operating profit before working capital changes	<u>58,065</u>	<u>12,726</u>
Changes in working capital:		
Net changes in operating assets	(2,994,036)	(1,883,355)
Net changes in operating liabilities	3,791,407	514,598
Net cash used in from operating activities	<u>855,436</u>	<u>(1,356,031)</u>
Tax paid	(10,252)	(7,277)
Net cash used in from operating activities	<u>845,184</u>	<u>(1,363,308)</u>
Net cash used in investing activities	(280,831)	(90,615)
Net cash generated from financing activities	<u>-</u>	<u>875,000</u>
Net decrease in cash and cash equivalents during the financial period	564,353	(578,923)
Cash and cash equivalents at beginning of the financial period	<u>4,800,811</u>	<u>4,038,925</u>
Cash and cash equivalents at end of the financial period	<u><u>5,365,164</u></u>	<u><u>3,460,002</u></u>
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	45,306	14,190
Money at call and deposit placements maturing within one month	5,319,858	3,445,812
	<u>5,365,164</u>	<u>3,460,002</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

1. Basis of Preparation

The unaudited condensed interim financial statements for the second quarter and six months ended 30 September 2016 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 2016. 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 2016.

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 2016, except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations that have been issued by the MASB:-

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

1. Basis of Preparation (Continued)

- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The following MFRSs, Amendments to MFRSs and IC Interpretations have been issued by the Malaysian Accounting Standards Board (“MASB”) and are not yet effective for the Bank.

Effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective from 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 initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Bank except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

1. Basis of Preparation (Continued)

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

MFRS 16, Leases

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

The Bank is currently assessing the financial impact that may arise from the adoption of the above-mentioned MFRSs.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2016 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.

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 six months ended 30 September 2016.

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 six months ended 30 September 2016.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the second quarter and half yearly ended 30 September 2016.

7. Dividend

No dividend was paid during the second quarter and half yearly ended 30 September 2016.

8. Review of Performance

The Bank recorded a profit before tax amounting to RM35.1 million for the first half year ended 30 September 2016, a marked improvement when compared to the first quarter results ended 30th June 2016 loss of RM66,000.00.

The profit recorded was attributed to a higher net interest income earned amounting to RM67.3 million, which was an increase of RM16.8 million or 33.3% when compared to the previous corresponding half year ended 2015. The improved results for the period in review was also attributed by an adjustment to the collective impairment allowance.

Operating expenses increased by RM10.7 million or 34.3% as compared to 30th September 2015. This was attributed by the higher personnel costs, information systems and equipment expenses and guarantee fees.

Total assets at 30 September 2016 increased by RM3,869.0 million to RM16,113.7 million, a 31.6% increase when compared against 31 March 2016. Loans, advances and financing recorded an increase of RM1,593.1 million resulting from increased customers deposits and interbank borrowing.

9. Current Year Prospects

Malaysia's GDP is expected to grow at 4.0%-4.5% in the year 2016. Although crude oil prices have started to recover and the Ringgit Malaysia had strengthened against the US Dollars, The Chinese economy slump will affect export and domestic demand. This is expected to cause a decrease in new investments in Malaysia. For the financial year ending 31 March 2017, the Bank will continue to offer basic commercial banking services such as loans, deposits, foreign exchange, derivatives, cash management services and Islamic Finance to both Japanese and Non-Japanese clients.

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

9. Current Year Prospects (continued)

In order to grow sustainably, the Bank needs to strengthen its base income by capturing the flow of business of its clients. The Bank continues to make efforts to support trade and investment between Japan and Malaysia which will contribute to further the growth of the Malaysian economy.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

10. Investments Securities Available-for-Sale

	30 September 2016 RM'000	31 March 2016 RM'000
At fair value		
Malaysian Government Treasury Bills	442,121	160,975
	<u>442,121</u>	<u>160,975</u>

11. Loans, Advances and Financing

	30 September 2016 RM'000	31 March 2016 RM'000
(a) By type:		
At amortised cost:		
Overdraft	25,389	45,176
Term loans		
- Syndicated loans	452,979	585,778
- Bridging loans	18,292	17,739
- Factoring receivables	65,615	49,311
- Other term loans	4,324,917	3,393,612
Trade bills discounted	57,307	54,774
Revolving credits	3,073,368	2,257,440
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>
Less: Collective impairment provision	(56,126)	(35,223)
Net loans, advances and financing	<u>7,961,741</u>	<u>6,368,607</u>
(b) By geographical distribution:		
Malaysia	7,840,001	6,176,810
Other countries	177,866	227,020
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

11. Loans, Advances and Financing (Continued)

	30 September 2016 RM'000	31 March 2016 RM'000
(c) By type of customer:		
Domestic non-bank financial institutions	2,757,977	2,224,492
Domestic business enterprises	5,082,024	3,952,318
Foreign entities	177,866	227,020
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	295,800	235,640
Variable rate		
- Cost-plus	2,439,823	2,137,967
- Other variable rates	5,282,244	4,030,223
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>
(e) By sector:		
Primary agriculture	82,196	80,473
Mining and quarrying	147,399	316,054
Manufacturing	2,353,147	1,726,457
Electricity, gas and water	6,504	126,680
Construction	63,697	24,868
Wholesale and retail trade, and restaurants and hotels	917,156	714,835
Transport, storage and communication	320,449	303,446
Finance, insurance, and business services	3,803,210	2,738,238
Real estate	130,990	159,403
Education, health and others	15,253	213,376
Household	177,866	
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

11. Loans, Advances and Financing (Continued)

	30 September 2016 RM'000	31 March 2016 RM'000
(f) By economic purposes:		
Purchase of residential property	14,984	26,163
Purchase of non-residential property - Commercial complexes	176,492	167,045
Purchase of fixed assets other than land and building	232,877	197,607
Construction	403,166	267,577
Working Capital	5,459,564	4,318,512
Other purpose	1,730,784	1,426,926
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>
(g) By residual contractual maturity:		
Maturing within one year	3,412,708	2,584,692
One year to three years	1,567,650	1,355,503
Three years to five years	2,584,708	2,112,388
More than five years	452,801	351,247
Gross loans, advances and financing	<u>8,017,867</u>	<u>6,403,830</u>
(h) Movements in collective allowance for impairment on loans, advances and financing:		
At beginning of the financial period	35,223	16,751
Allowance made during the financial period	20,903	18,472
At end of the financial period	<u>56,126</u>	<u>35,223</u>
As % of gross loans, advances and financing (inclusive of regulatory reserve)	<u>1.22%</u>	<u>1.20%</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

12. Deposits from Customers

	30 September 2016 RM'000	31 March 2016 RM'000
(a) By type of deposits:		
Demand deposits	2,649,721	1,107,403
Fixed deposits	3,109,002	2,633,746
Short-term deposits	3,837,909	3,097,258
	9,596,632	6,838,407

* Included in the fixed deposits are deposits amounting to RM 1,841,908,000 (2015 : RM nil) placed by a branch of the immediate holding company as cash collateral for certain loans, advances and financing.

(b) By type of customers:		
Domestic non-bank financial institutions	92,276	166,401
Domestic business enterprises	2,842,099	5,258,295
Branch of immediate holding company	1,841,908	1,310,511
Foreign non-bank entities	4,820,349	103,200
	9,596,632	6,838,407

(c) Maturity structure of fixed deposits:		
Due within six months	1,167,739	1,311,789
Six months to one year	77,672	11,447
One year to three years	508,632	371,889
Three years to five years	1,355,476	938,621
	3,109,519	2,633,746

13. Deposits and Placements of Banks and Other Financial Institutions

	30 September 2016 RM'000	31 March 2016 RM'000
Licensed Malaysian Bank	6,437	137,118
Foreign banks		
- Immediate holding company	3,667,352	2,543,156
	3,673,789	2,680,274

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

14. Interest Income

	2nd Quarter Ended		Half yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Loans, advances and financing				
- Interest income other than from impaired loans	48,428	24,463	90,408	42,653
Money at call and deposit placements with banks and other financial institutions	38,828	36,612	73,872	62,858
Investment securities available-for-sale	1,484	1,831	3,184	3,551
Others	-	66	-	148
	<u>87,740</u>	<u>62,972</u>	<u>167,464</u>	<u>109,210</u>

15. Interest Expense

	2nd Quarter Ended		Half yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Deposits and placement of bank and other financial institutions	9,524	5,832	17,917	9,813
Deposits from customers	43,739	26,558	81,757	48,454
Investment securities available-for-sale	256	148	505	237
Others	10	76	18	158
	<u>53,529</u>	<u>32,614</u>	<u>100,197</u>	<u>58,662</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

16. Other Operating Income

	2nd Quarter Ended		Half yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Fee and commission income				
- Service charges/fees	-	10	-	26
- Guarantee fees	252	91	485	241
- Loan related fees	865	60	1,663	327
- Commitment fees	289	414	640	678
	<u>1,406</u>	<u>575</u>	<u>2,788</u>	<u>1,272</u>
Gain from derivative financial instruments	<u>3,330</u>	<u>2,469</u>	<u>6,116</u>	<u>4,563</u>
Unrealised net loss on revaluation of derivatives	<u>(1,336)</u>	<u>6,197</u>	<u>(1,391)</u>	<u>5,589</u>
Foreign exchange net gain	<u>9,962</u>	<u>10,369</u>	<u>18,234</u>	<u>16,983</u>
Other income				
- Management fees	1,158	979	2,534	653
- Rental of fixed assets	489	488	976	963
- Miscellaneous income	1,093	392	1,408	639
	<u>2,740</u>	<u>1,859</u>	<u>4,918</u>	<u>2,255</u>
	<u>16,102</u>	<u>21,469</u>	<u>30,665</u>	<u>30,662</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

17. Other Operating Expenses

	2nd Quarter Ended		Half Yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Personnel costs				
Salaries, allowance and bonuses	7,005	5,426	12,901	9,930
Employees' provident fund	736	494	1,346	932
Staff training expenses	118	143	200	195
Other personnel expenses	942	825	2,921	2,795
	<u>8,801</u>	<u>6,888</u>	<u>17,368</u>	<u>13,852</u>
Establishment costs				
Rental of premises	448	448	895	895
Depreciation	1,022	1,049	2,012	2,078
Repair and maintenance	185	174	301	225
Other establishment expenses	4,011	3,300	7,266	5,635
	<u>5,666</u>	<u>4,971</u>	<u>10,474</u>	<u>8,833</u>
Marketing expenses				
Advertisement and publicity	56	20	99	32
Other marketing expenses	28	29	50	56
	<u>84</u>	<u>49</u>	<u>149</u>	<u>88</u>

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17. Other Operating Expenses (Continued)

	2nd Quarter Ended		Half Yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Administration and general expenses				
Guarantee fees	1,873	-	3,572	-
Auditors' remuneration				
- Statutory audit	54	59	108	108
- Other services	25	25	50	50
Professional fees	143	95	195	220
Communication expenses	78	47	192	133
Management fees	3,515	3,762	7,086	7,016
License fees and stamp duties	37	28	75	68
Non-executive directors' fees and allowances	100	101	194	196
Other administration and general expenses	1,527	38	2,427	671
	<u>7,352</u>	<u>4,155</u>	<u>13,899</u>	<u>8,462</u>
	<u>21,903</u>	<u>16,063</u>	<u>41,890</u>	<u>31,235</u>

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18. Allowance for Impairment on Loans, Advances and Financing

	2nd Quarter Ended		Half yearly Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Collective impairment allowance	<u>(6,811)</u>	<u>6,572</u>	<u>20,903</u>	<u>10,935</u>

The collective impairment allowance recorded a decrease from RM27.7 million as at 30 June 2016 to (RM6.8 million) as at 30 September 2016. This is arising from the reinstatement of the collective impairment allowance during the second quarter due to the local economic factor impacting the collective impairment allowance in the first quarter.

19. 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.

20. 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.

21. 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 2016.

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22. Use of Financial Instruments

Interest rate risk

The tables below summarise the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates.

	← Non-trading book →						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
30 September 2016								
<u>Assets</u>								
Cash and short-term funds	5,296,167	-	-	-	-	68,997	-	5,365,164
Deposits and placements with banks and other financial institutions	-	1,474,273	100,000	-	-	-	-	1,574,273
Investment securities available-for-sale	-	442,121	-	-	-	-	-	442,121
Loans, advances and financing	2,402,332	484,848	525,537	4,152,359	452,790	(56,126) ^	-	7,961,741
Other assets	3,858	5,084	1,145	-	-	10,567	-	20,654
Derivative assets	8,156	10,327	44,369	54,095	4,083	-	596,159	717,189
Total assets	7,710,513	2,416,653	671,051	4,026,454	456,873	23,438	596,159	16,081,143

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

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22. 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		
30 September 2016								
<u>Liabilities</u>								
Deposits from customers	(2,501,069)	(2,110,094)	(446,257)	(1,864,108)	-	(2,675,104)	-	(9,596,631)
Deposits and placements of banks and other financial institutions	(2,291,349)	(1,167,879)	(69,041)	(34,280)	(108,221)	(3,019)	-	(3,673,789)
Bills and acceptances payable	-	-	(1,560)	-	-	-	-	(1,560)
Other liabilities	(383,569)	(549)	(5)	(3,854)	(212)	(33,935)	-	(422,124)
Derivative financial liabilities	-	-	-	-	-	-	(629,099)	(629,099)
Total liabilities	<u>(5,175,987)</u>	<u>(3,278,522)</u>	<u>(516,863)</u>	<u>(1,902,242)</u>	<u>(108,433)</u>	<u>(2,712,058)</u>	<u>(629,099)</u>	<u>(14,320,204)</u>
On balance sheet interest rate gap	2,534,526	(861,869)	154,188	2,344,845	249,217	(2,688,620)	(29,940)	1,760,939
Off balance sheet interest rate gap	-	747,459	(59,233)	(471,783)	(216,443)	-	-	-
Total interest rate gap	<u>2,534,526</u>	<u>(114,410)</u>	<u>94,955</u>	<u>1,832,429</u>	<u>131,997</u>	<u>(2,688,620)</u>	<u>(29,940)</u>	<u>1,760,939</u>

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22. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	← Non-trading book →						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
31 March 2016								
<u>Assets</u>								
Cash and short-term funds	4,727,717	-	-	-	-	73,094	-	4,800,811
Deposits and placements with banks and other financial institutions	-	187,530	-	-	-	-	-	187,530
Investment securities available- for-sale	-	100,436	60,539	-	-	-	-	160,975
Loans, advances and financing	1,893,601	314,842	379,347	3,465,410	350,630	(35,223) ^	-	6,368,607
Other assets	23,207	197	1,818	-	-	3,779	-	29,001
Derivative financial assets	20,794	19,178	41,588	49,970	3,778	-	533,771	669,079
Total assets	6,665,319	622,183	483,292	3,515,380	354,408	41,650	533,771	12,216,003

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

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22. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	←————— Non-trading book —————→						Trading book	Total
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non- interest bearing RM'000		
31 March 2016								
<u>Liabilities</u>								
Deposits from customers	(2,503,654)	(1,630,743)	(286,096)	(1,310,511)	-	(1,107,403)	-	(6,838,407)
Deposits and placements of banks and other financial institutions	(1,535,702)	(734,355)	(227,466)	(72,821)	(106,952)	(2,978)	-	(2,680,274)
Bills and acceptances payable	-	-	(378)	-	-	-	-	(378)
Other liabilities	(12,635)	(339)	(38)	(36)	(183)	(363,286)	-	(376,517)
Derivative financial liabilities	(14,703)	(14,475)	(39,930)	(45,134)	(1,566)	-	(462,675)	(578,483)
Total liabilities	<u>(4,066,694)</u>	<u>(2,379,912)</u>	<u>(553,908)</u>	<u>(1,428,502)</u>	<u>(108,701)</u>	<u>(1,473,667)</u>	<u>(462,675)</u>	<u>(10,474,059)</u>
On balance sheet interest rate gap	2,598,625	(1,757,729)	(70,616)	2,086,878	245,707	(1,432,017)	71,096	1,741,944
Off balance sheet interest rate gap	-	691,670	(29,118)	(448,648)	(213,904)	-	-	-
Total interest rate gap	<u>2,598,625</u>	<u>(1,066,059)</u>	<u>(99,734)</u>	<u>1,638,230</u>	<u>31,803</u>	<u>(1,432,017)</u>	<u>71,096</u>	<u>1,741,944</u>

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22. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	30 September 2016		31 March 2016	
	MYR	USD	MYR	USD
	%	%	%	%
Financial assets				
Cash and short-term funds	3.05	0.74	3.24	0.41
Deposits and placements with banks and other financial institutions	3.28	1.05	3.65	0.73
Loans, advances and financing	4.11	1.71	4.39	1.61
Financial liabilities				
Deposits from customers	3.55	0.77	3.73	0.60
Deposits and placements of banks and other financial institutions	-	0.80	-	0.66

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23. Capital Adequacy

The total capital and capital adequacy ratios of the Bank are computed based on the Standardised Approach in accordance with the Capital Adequacy Framework (Capital Components).

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

	30 September 2016 RM'000	31 March 2016 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	1,575,000	1,575,000
Retained earnings	40,929	40,929
Statutory reserve	87,018	87,018
Available-for-sale reserve	662	171
	1,703,609	1,703,118
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	1,703,609	1,703,118
<u>Tier-2 capital</u>		
Collective allowance for impairment	56,126	35,223
Regulatory reserves	41,624	41,624
Tier-2 Capital	97,750	76,847
Total capital base	1,801,359	1,779,965
<u>Capital ratios</u>		
CET 1 and Tier 1 Capital Ratio	16.694%	19.451%
Total Capital Ratio	17.651%	20.329%

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23. Capital Adequacy (Continued)

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

	30 September 2016 RM'000	31 March 2016 RM'000
Credit risk	9,733,666	8,323,348
Market risk	198,773	193,898
Operational risk	272,764	238,734
Total risk-weighted assets	<u>10,205,203</u>	<u>8,755,980</u>

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24. 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 2016 →			← 31 March 2016 →		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted assets RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk- weighted assets RM'000
Transaction related contingent items	216,240	108,120	96,639	172,497	86,249	74,767
Short-term self-liquidating trade-related contingencies	50,701	10,140	10,140	38,413	7,683	7,683
Foreign exchange related contracts:						
One year or less	7,684,272	319,169	197,213	4,573,626	250,552	159,320
Over one year to five years	7,156,386	1,032,338	571,026	7,236,524	1,050,360	595,096
Over five years	1,327,267	372,627	180,525	1,392,619	353,301	189,110
Interest/ profit rate related contracts						
One year or less	74,041	319	206	33,118	164	124
Over one year to five years	471,783	19,451	15,157	448,648	17,604	13,606
Over five years	216,443	14,907	12,201	213,904	16,610	13,402
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,309,156	1,154,578	1,121,439	2,074,829	1,037,415	1,037,415
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	655,115	131,023	114,194	704,768	140,954	128,417
Total	20,161,404	3,162,672	2,318,740	16,888,946	2,960,892	2,218,940

* 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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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 September 2016 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 January 2015.

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Yoshimi Gunji
Chief Executive Officer

Date: 27 October 2016