

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD
(Company No. 926374-U)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2017

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 2017

	Note	30 September 2017 RM'000	31 March 2017 RM'000
Assets			
Cash and short-term funds		2,774,652	4,704,896
Deposits and placements with banks and other financial institutions		424,420	626,193
Investment securities available-for-sale	10	632,447	682,204
Loans, advances and financing	11	11,114,660	10,840,094
Derivative financial assets		605,341	919,869
Other assets		46,237	18,704
Statutory deposits with Bank Negara Malaysia		29,656	2,228
Plant and equipment		14,430	14,835
Tax recoverable		-	11,621
Total assets		<u>15,641,843</u>	<u>17,820,644</u>
Liabilities			
Deposits from customers	12	9,886,817	11,185,916
Deposits and placements of banks and other financial institutions	13	2,061,580	3,217,924
Bills and acceptances payable		1,577	1,723
Derivative financial liabilities		527,601	828,339
Other liabilities		360,659	742,252
Deferred tax liabilities		21,497	18,438
Tax payable		1,244	-
Total liabilities		<u>12,860,975</u>	<u>15,994,592</u>
Equity			
Share capital		2,452,605	1,575,000
Reserves		328,263	251,052
Total equity attributable to owners of the Bank		<u>2,780,868</u>	<u>1,826,052</u>
Total liabilities and equity		<u>15,641,843</u>	<u>17,820,644</u>
Commitments and contingencies	24	<u>27,251,603</u>	<u>20,151,147</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 2017

	Note	2nd Quarter Ended		Half Year Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Interest income	14	105,562	87,740	214,358	167,464
Interest expense	15	(54,206)	(53,529)	(115,914)	(100,197)
Net interest income		51,356	34,211	98,444	67,267
Other operating income	16	42,774	16,085	58,094	30,665
Net operating income		94,130	50,296	156,538	97,932
Other operating expenses	17	(33,092)	(21,903)	(59,368)	(41,890)
Operating profit		61,038	28,393	97,170	56,042
Allowance for impairment on loans, advances and financing	18	4,506	6,811	3,698	(20,903)
Profit before taxation		65,544	35,204	100,868	35,139
Tax expense		(14,971)	(8,356)	(23,780)	(8,472)
Profit after taxation		50,573	26,848	77,088	26,667
Other comprehensive income for the period, net of income tax					
Fair value changes of investment securities available-for-sale		(307)	1,324	123	1,093
Total comprehensive income for the period		50,266	37,252	77,211	27,760
Basic earnings per ordinary share (sen)		2.45	1.70	4.13	1.69

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

	← <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 2017	1,575,000	126,963	55,349	1,590	67,150	1,826,052
Issuance of shares	877,605					877,605
Profit for the period	-	-	-	-	77,088	77,088
Fair value changes of available-for-sale financial assets	-	-	-	123	-	123
Total comprehensive income for the period	-	-	-	123	77,088	77,211
Transfer to regulatory reserve	-	-	6,614	-	(6,614)	-
At 30 September 2017	<u>2,452,605</u>	<u>126,963</u>	<u>61,963</u>	<u>1,713</u>	<u>137,624</u>	<u>2,780,868</u>
At 1 April 2016	1,575,000	87,018	41,624	379	40,929	1,744,950
Loss 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	<u>1,575,000</u>	<u>87,018</u>	<u>41,624</u>	<u>1,472</u>	<u>67,596</u>	<u>1,772,710</u>

*The new Companies Act 2016 (“the Act”), which came into operation on 31 January 2017, abolished the concept of authorized share capital and par value of share capital.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	30 September 2017 RM'000	30 September 2016 RM'000
Cash flows from operating activities		
(Loss)/ Profit from ordinary activities before taxation	100,868	35,139
Adjustments for non-cash items	(1,322)	22,926
Operating profit before working capital changes	99,546	58,065
Changes in working capital:		
Net changes in operating assets	(110,266)	(2,994,036)
Net changes in operating liabilities	(2,835,707)	3,791,407
Net cash used in from operating activities	(2,846,427)	855,436
Tax paid	(9,139)	(10,252)
Net cash used in from operating activities	(2,855,566)	845,184
Net cash used in investing activities	47,717	(280,831)
Net cash generated from financing activities	877,605	-
Net decrease in cash and cash equivalents during the financial period	(1,930,244)	564,353
Cash and cash equivalents at beginning of the financial period	4,704,896	4,800,811
Cash and cash equivalents at end of the financial period	2,774,652	5,365,164
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	79,103	45,306
Money at call and deposit placements maturing within one month	2,695,549	5,319,858
	2,774,652	5,365,164

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

1. Basis of Preparation

The unaudited condensed interim financial statements for the second quarter and six months ended 30 September 2017 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 2017. 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 2017.

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 2017, except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations that have been issued by the MASB:-

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

1. Basis of Preparation (Continued)

Effective for annual periods beginning on or after 1 January 2018 (Continued)

- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments 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 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.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.

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*.

The Bank will assess the financial impact that may arise from the adoption of MFRS 15.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

1. Basis of Preparation (Continued)

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 will assess the financial impact that may arise from the adoption of MFRS 16.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2017 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 2017.

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 six months ended 30 September 2017.

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the second quarter and six months ended 30 September 2017.

7. Dividend

No dividend was paid during the second quarter and six months ended 30 September 2017.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

8. Review of Performance

For the first half of the financial year ended 30 September 2017, the Bank registered a Profit Before Taxation of RM100.9 million, which was a marked improvement as compared with the Profit Before Taxation of RM35.1 million as reported in the half year ended 30 September 2016. The positive result was mainly attributed to improved Net Interest Income amounting to RM98.4 million, which is a 46.3% increase as compared with the corresponding half year ended 30 September 2016. In addition, a reversal of Collective Impairment Allowance amounting to RM3.7 million for the period also added to the overall improved financial performance of the Bank.

Total Loans and Financing increased to RM11,187 million, recording a 2.5% improvement as compared with the previous financial year. This is despite a 12.2% decrease in Total Assets to RM15,642 million as compared with RM17,821 million recorded in the previous financial year ended 31 March 2017. The reduction in Total Assets was mainly due to the 41.0% decrease in Cash and Short Term Funds to RM2,775 million. Total Liabilities registered a reduction of 19.6% to RM12,861 million from RM15,995 million recorded in the previous financial year ended 31 March 2017, in line with the reduction in Deposits From Customers from RM11,186 million to RM9,887 million.

9. Current Year Prospects

The Malaysian economy recorded a gross domestic product (“GDP”) growth of 5.8% in the second quarter of 2017 - attributed by strong domestic demand and robust export numbers. With the continued pace of economic growth building up from the reported 5.6% in the first quarter, several research houses had revised its full-year 2017 GDP forecast upwards to 5.4% from the previous 4.9%.

The domestic foreign exchange market is expected to stabilise throughout the calendar year on the back of the Ringgit’s strength rising from USD/MYR4.43 at the end of March 2017 to USD/MYR4.22 in September 2017. While global trade conditions have somewhat improved, uncertainties from other external factors including the rising protectionism from the fallout of global trade-agreements, risk of geopolitical events and heightened commodity price volatility and high debt levels in the global markets may continue to dampen overall investor confidence going forward.

Despite being cautiously optimistic, the Bank is still on track to achieve the targets for the financial year ending 31 March 2018 with our strategic initiatives in place to build up a portfolio with commensurate profitability, enhanced business processes for improved productivity and heightened presence and profile in the Malaysian market.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

10. Investments Securities Available-for-Sale

	30 September 2017 RM'000	31 March 2017 RM'000
At fair value		
Negotiable instruments of deposits	502,185	552,358
Malaysian Government treasury bills	110,211	109,851
Malaysian Government sukuk	20,051	19,995
	<u>632,447</u>	<u>682,204</u>

11. Loans, Advances and Financing

	30 September 2017 RM'000	31 March 2017 RM'000
(a) By type:		
At amortised cost:		
Overdraft	96,914	93,147
Term loans		
- Syndicated loans	735,981	463,278
- Syndicated Islamic financing	126,970	133,062
- Bridging loans	-	15,524
- Factoring receivables	55,764	56,936
- Other term loans	5,193,639	5,479,371
- Other Islamic term financing	1,381,105	1,412,891
Trade bills discounted	181,704	119,407
Revolving credits	525,739	2,518,381
Islamic revolving credit	2,889,563	624,514
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>
Less: Collective impairment provision	(72,719)	(76,417)
Net loans, advances and financing	<u>11,114,660</u>	<u>10,840,094</u>
(b) By geographical distribution:		
Malaysia	9,553,955	9,240,693
Other countries	1,633,424	1,675,818
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

11. Loans, Advances and Financing (Continued)

	30 September 2017 RM'000	31 March 2017 RM'000
(c) By type of customer:		
Domestic non-bank financial institutions	3,462,014	3,427,396
Domestic business enterprises	7,648,860	7,404,539
Foreign entities	76,505	84,576
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	631,186	484,874
Variable rate		
- Cost-plus	3,300,013	3,134,322
- Other variable rates	7,256,180	7,297,315
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>
(e) By sector:		
Primary agriculture	154,209	54,180
Mining and quarrying	150,045	157,578
Manufacturing	2,514,620	2,535,097
Electricity, gas and water	1,061,165	1,112,626
Construction	28,617	64,598
Wholesale and retail trade, and restaurants and hotels	1,009,771	895,371
Transport, storage and communication	520,557	520,811
Finance, insurance, and business services	5,333,068	5,147,686
Real estate	405,694	417,327
Education, health and others	9,633	11,237
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

11. Loans, Advances and Financing (Continued)

	30 September 2017 RM'000	31 March 2017 RM'000
(f) By economic purposes:		
Purchase of securities	319,347	332,412
Purchase of residential property	-	7,982
Purchase of non-residential property		
- Commercial complexes	451,902	195,711
Purchase of fixed assets other than land and building	-	225,256
Construction	397,695	462,641
Working Capital	6,839,156	6,372,264
Other purpose	3,179,279	3,320,245
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>
(g) By residual contractual maturity:		
Maturing within one year	4,367,031	3,912,619
One year to three years	2,517,255	1,898,842
Three years to five years	3,717,368	4,375,142
More than five years	585,725	729,908
Gross loans, advances and financing	<u>11,187,379</u>	<u>10,916,511</u>
(h) Movements in collective allowance for impairment on loans, advances and financing:		
At beginning of the financial period	76,417	35,223
Allowance made during the financial period	(3,698)	41,194
At end of the financial period	<u>72,719</u>	<u>76,417</u>
As % of gross loans, advances and financing (inclusive of regulatory reserve)	<u>1.20%</u>	<u>1.21%</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

12. Deposits from Customers

	30	31
	September	March
	2017	2017
	RM'000	RM'000
(a) By type of deposits:		
Demand deposits	1,767,034	1,605,312
Fixed deposits	6,154,860	6,931,647
Short-term deposits	1,964,923	2,648,957
	<u>9,886,817</u>	<u>11,185,916</u>
(b) By type of customers:		
Domestic non-bank financial institutions	138,085	416,464
Domestic business enterprises	5,107,622	6,271,333
Branch of immediate holding company	4,472,436	4,374,536
Foreign non-bank entities	830	122,783
Domestic other entities	167,844	800
	<u>9,886,817</u>	<u>11,185,916</u>
(c) Maturity structure of fixed deposits:		
Due within six months	1,600,234	2,507,446
Six months to one year	163,407	20,362
One year to three years	1,271,029	1,035,237
Three years to five years	2,793,510	3,055,348
Five years to ten years	326,680	313,254
	<u>6,154,860</u>	<u>6,931,647</u>

13. Deposits and Placements of Banks and Other Financial Institutions

	30	31
	September	March
	2017	2017
	RM'000	RM'000
Licensed Malaysian Bank	-	-
Foreign banks		
- Immediate holding company	2,061,580	3,217,924
	<u>2,061,580</u>	<u>3,217,924</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

14. Interest Income

	2nd Quarter Ended		Half yearly Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Loans, advances and financing				
- Interest income	65,816	39,572	128,734	76,647
- Financing income	10,130	8,856	20,325	16,761
Money at call and deposit placements with banks and other financial institutions	23,503	38,828	53,075	73,872
Investment securities available-for-sale	5,914	1,484	11,938	3,184
Others	199	-	286	-
	<u>105,562</u>	<u>87,740</u>	<u>214,358</u>	<u>167,464</u>

15. Interest Expense

	2nd Quarter Ended		Half yearly Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Deposits and placement of bank and other financial institutions	11,136	9,524	27,016	17,917
Deposits from customers	42,867	43,739	88,484	81,757
Investment securities available-for-sale	155	256	318	505
Others	48	10	96	18
	<u>54,206</u>	<u>53,529</u>	<u>115,914</u>	<u>100,197</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

16. Other Operating Income

	2nd Quarter Ended		Half yearly Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Fee and commission income				
- Service charges/fees	11	-	17	-
- Guarantee fees	1,337	252	1,624	485
- Loan related fees	10,418	865	13,086	1,663
- Commitment fees	306	289	610	640
	<u>12,072</u>	<u>1,406</u>	<u>15,337</u>	<u>2,788</u>
Gain from derivative financial instruments	<u>3,085</u>	<u>3,330</u>	<u>5,887</u>	<u>6,116</u>
Unrealised net gain/(loss) on revaluation of derivatives	<u>443</u>	<u>(1,336)</u>	<u>(2,988)</u>	<u>(1,391)</u>
Foreign exchange net gain	<u>23,680</u>	<u>9,962</u>	<u>33,285</u>	<u>18,234</u>
Other income				
- Management fees	1,772	1,158	3,455	2,534
- Rental of fixed assets	544	489	1,049	976
- Miscellaneous income	1,178	1,093	2,069	1,408
	<u>3,494</u>	<u>2,740</u>	<u>6,573</u>	<u>4,918</u>
	<u><u>42,774</u></u>	<u><u>16,102</u></u>	<u><u>58,094</u></u>	<u><u>30,665</u></u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

17. Other Operating Expenses

	2nd Quarter Ended		Half yearly Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel costs				
Salaries, allowance and bonuses	5,477	7,005	12,851	12,901
Employees' provident fund	671	736	1,557	1,346
Staff training expenses	99	118	155	200
Other personnel expenses	835	942	2,510	2,921
	<u>7,082</u>	<u>8,801</u>	<u>17,073</u>	<u>17,368</u>
Establishment costs				
Rental of premises	448	448	895	895
Depreciation	1,067	1,022	2,058	2,012
Repair and maintenance	196	185	384	301
Other establishment expenses	2,928	4,011	5,735	7,266
	<u>4,639</u>	<u>5,666</u>	<u>9,072</u>	<u>10,474</u>
Marketing expenses				
Advertisement and publicity	65	56	107	99
Other marketing expenses	27	28	51	50
	<u>92</u>	<u>84</u>	<u>158</u>	<u>149</u>

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17. Other Operating Expenses (Continued)

	2nd Quarter Ended		Half yearly Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Administration and general expenses				
Guarantee fees	13,183	1,873	18,607	3,572
Auditors' remuneration				
- Statutory audit	76	54	123	108
- Other services	55	25	75	50
Professional fees	188	143	346	195
Communication expenses	58	78	193	192
Management fees	4,637	3,515	7,236	7,086
License fees and stamp duties	37	37	226	75
Non-executive directors' fees and allowances	153	100	310	194
Other administration and general expenses	2,892	1,527	5,949	2,427
	<u>21,279</u>	<u>7,352</u>	<u>33,065</u>	<u>13,899</u>
	<u>33,092</u>	<u>21,903</u>	<u>59,368</u>	<u>41,890</u>

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18. Allowance for Impairment on Loans, Advances and Financing

	2nd Quarter Ended		Half yearly Ended	
	30	30	30	30
	September	September	September	September
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Collective impairment allowance made	<u>(4,506)</u>	<u>(6,811)</u>	<u>(3,698)</u>	<u>20,903</u>

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 2017.

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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 →					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 2017								
<u>Assets</u>								
Cash and short-term funds	2,695,550	-	-	-	-	79,102	-	2,774,652
Deposits and placements with banks and other financial institutions	-	424,420	-	-	-	-	-	424,420
Investment securities available-for-sale	170,775	250,986	210,686	-	-	-	-	632,447
Loans, advances and financing	2,611,841	853,607	901,584	6,234,622	585,725	(72,719)	-	11,114,660
Other assets	3,387	835	2,707	-	-	28,026	-	34,955
Derivative assets	-	-	4,091	35,013	-	-	566,237	605,341
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	29,656	-	29,656
Total assets	5,481,553	1,529,848	1,119,068	6,269,635	585,725	64,065	566,237	15,616,131

^ 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 2017								
<u>Liabilities</u>								
Deposits from customers	2,135,750	1,237,844	354,972	4,064,537	326,679	1,767,035	-	9,886,817
Deposits and placements of banks and other financial institutions	1,109,881	674,415	165,946	108,950	-	2,388	-	2,061,580
Bills and acceptances payable	-	-	1,577	-	-	-	-	1,577
Other liabilities	527	941	19,372	4,173	62	324,737	-	349,812
Derivative financial liabilities	-	1,101	3,316	794	11,944	-	510,446	527,601
Total liabilities	3,246,158	1,914,301	545,183	4,178,454	338,685	2,094,160	510,446	12,827,387
On balance sheet interest rate gap	2,235,395	(384,453)	573,885	2,091,181	247,040	(2,030,095)	55,791	2,788,744
Off balance sheet interest rate gap	-	886,829	(65,512)	(821,317)	-	-	-	-
Total interest rate gap	2,235,395	502,376	508,373	1,269,864	247,040	(2,030,095)	55,791	2,788,744

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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 2017								
<u>Assets</u>								
Cash and short-term funds	4,633,255	-	-	-	-	71,641	-	4,704,896
Deposits and placements with banks and other financial institutions	-	526,193	100,000	-	-	-	-	626,193
Investment securities available- for-sale	150,494	351,745	179,965	-	-	-	-	682,204
Loans, advances and financing	2,297,914	784,041	830,670	5,167,744	1,836,142	(76,417) ^	-	10,840,094
Other assets	3,896	1,535	4,924	-	-	6,728	-	17,083
Derivative financial assets	-	-	221	49,073	-	-	870,575	919,869
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,228	-	2,228
Total assets	7,085,559	1,663,514	1,115,780	5,216,817	1,836,142	4,180	870,575	17,792,567

^ 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		
31 March 2017								
<u>Liabilities</u>								
Deposits from customers	3,781,458	848,224	547,085	2,984,411	1,419,426	1,605,312	-	11,185,916
Deposits and placements of banks and other financial institutions	1,829,674	1,189,917	55,955	29,425	110,396	2,557	-	3,217,924
Bills and acceptances payable	-	-	1,723	-	-	-	-	1,723
Other liabilities	8,172	4,682	6,819	3,797	413	714,390	-	738,273
Derivative financial liabilities	-	1	11	791	3,479	-	824,057	828,339
Total liabilities	5,619,304	2,042,824	611,593	3,018,424	1,533,714	2,322,259	824,057	15,972,175
On balance sheet interest rate gap	1,466,255	(379,310)	504,187	2,198,393	302,428	(2,318,079)	46,518	1,820,392
Off balance sheet interest rate gap	-	842,914	(38,998)	(583,124)	(220,792)	-	-	-
Total interest rate gap	1,466,255	463,604	465,189	1,615,269	81,636	(2,318,079)	46,518	1,820,392

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22. Use of Financial Instruments (Continued)

Interest rate risk (continued)

	30 September 2017		31 March 2017	
	MYR	USD	MYR	USD
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Financial assets				
Cash and short-term funds	2.99	1.49	3.05	1.19
Deposits and placements with banks and other financial institutions	3.10	1.69	3.41	1.53
Loans, advances and financing	4.22	2.25	4.26	2.02
Financial liabilities				
Deposits from customers	3.41	1.33	3.46	1.06
Deposits and placements of banks and other financial institutions	-	1.28	-	1.10

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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 2017 RM'000	31 March 2017 RM'000
<u>Tier-1 capital</u>		
Paid-up ordinary share capital	2,452,605	1,575,000
Retained earnings	137,624	67,150
Statutory reserve	126,963	126,963
Available-for-sale reserve	771	716
	<u>2,717,963</u>	<u>1,769,829</u>
Less: Deferred tax assets	<u>-</u>	<u>-</u>
Common Equity Tier 1 (CET 1) and Tier-1 Capital	<u>2,717,963</u>	<u>1,769,829</u>
<u>Tier-2 capital</u>		
Collective allowance for impairment	72,719	76,417
Regulatory reserves	61,963	55,349
Tier-2 Capital	<u>134,682</u>	<u>131,766</u>
Total capital base	<u><u>2,852,645</u></u>	<u><u>1,901,595</u></u>
<u>Capital ratios</u>		
CET 1 and Tier 1 Capital Ratio	22.805%	15.293%
Total Capital Ratio	23.935%	16.432%

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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 2017 RM'000	31 March 2017 RM'000
Credit risk	11,205,005	11,040,792
Market risk	334,768	210,958
Operational risk	378,719	321,004
Total risk-weighted assets	<u>11,918,492</u>	<u>11,572,754</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 2017 →			← 31 March 2017 →		
	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	380,126	190,063	178,582	348,655	174,328	162,846
Short-term self-liquidating trade-related contingencies	246,897	49,379	49,379	52,505	10,501	10,501
Foreign exchange related contracts:						
One year or less	11,104,746	369,796	216,429	5,299,673	391,607	234,413
Over one year to five years	8,378,762	1,126,818	653,040	8,571,990	1,314,041	730,722
Over five years	922,820	280,050	120,339	984,034	319,343	140,564
Interest/ profit rate related contracts						
One year or less	68,012	512	226	39,998	91	53
Over one year to five years	821,317	27,757	18,914	583,124	22,556	15,665
Over five years	-	-	-	220,792	13,304	9,554
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	4,072,777	2,036,388	2,002,613	3,130,007	1,565,004	1,529,606
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,256,146	251,229	244,705	920,369	184,074	156,427
Total	27,251,603	4,331,992	3,484,227	20,151,147	3,994,849	2,990,351

* 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 2017 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: 25 October 2017