

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 DECEMBER 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 31 DECEMBER 2017

| | Note | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|---|------|-------------------------------|----------------------------|
| Assets | | | |
| Cash and short-term funds | | 2,453,407 | 4,704,896 |
| Deposits and placements with banks and other financial institutions | | 692,192 | 626,193 |
| Investment securities available-for-sale | 10 | 752,812 | 682,204 |
| Loans, advances and financing | 11 | 10,760,921 | 10,840,094 |
| Derivative financial assets | | 685,990 | 919,869 |
| Other assets | | 102,494 | 18,704 |
| Statutory deposits with Bank Negara Malaysia | | 33,656 | 2,228 |
| Plant and equipment | | 13,843 | 14,835 |
| Tax recoverable | | - | 11,621 |
| Total assets | | <u>15,495,315</u> | <u>17,820,644</u> |
| Liabilities | | | |
| Deposits from customers | 12 | 9,726,705 | 11,185,916 |
| Deposits and placements of banks and other financial institutions | 13 | 2,066,506 | 3,217,924 |
| Bills and acceptances payable | | 1,264 | 1,723 |
| Derivative financial liabilities | | 584,220 | 828,339 |
| Other liabilities | | 250,315 | 742,252 |
| Deferred tax liabilities | | 24,369 | 18,438 |
| Tax payable | | 14,513 | - |
| Total liabilities | | <u>12,667,892</u> | <u>15,994,592</u> |
| Equity | | | |
| Share capital | | 2,452,605 | 1,575,000 |
| Reserves | | 374,818 | 251,052 |
| Total equity attributable to owners of the Bank | | <u>2,827,423</u> | <u>1,826,052</u> |
| Total liabilities and equity | | <u>15,495,315</u> | <u>17,820,644</u> |
| Commitments and contingencies | 24 | <u>27,693,532</u> | <u>20,151,147</u> |

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

| | Note | 3rd Quarter Ended | | Nine Months Ended | |
|---|------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Interest income | 14 | 98,352 | 103,698 | 312,710 | 271,162 |
| Interest expense | 15 | (49,366) | (61,863) | (165,280) | (162,060) |
| Net interest income | | 48,986 | 41,835 | 147,430 | 109,102 |
| Other operating income | 16 | 33,742 | 17,256 | 91,836 | 47,921 |
| Net operating income | | 82,728 | 59,091 | 239,266 | 157,023 |
| Other operating expenses | 17 | (25,865) | (18,158) | (85,233) | (60,048) |
| Operating profit | | 56,863 | 40,933 | 154,033 | 96,975 |
| Allowance for impairment on loans, advances and financing | 18 | 7,762 | (12,368) | 11,460 | (33,271) |
| Profit before taxation | | 64,625 | 28,565 | 165,493 | 63,704 |
| Tax expense | | (18,298) | (2,956) | (42,078) | (11,428) |
| Profit after taxation | | 46,327 | 25,609 | 123,415 | 52,276 |
| Other comprehensive income for the period, net of income tax | | | | | |
| Fair value changes of investment securities available-for-sale | | 226 | (502) | 349 | 591 |
| Total comprehensive income for the period | | <u>46,553</u> | <u>25,107</u> | <u>123,764</u> | <u>52,867</u> |
| Basic earnings per ordinary share (sen) | | <u>1.85</u> | <u>1.63</u> | <u>5.98</u> | <u>3.32</u> |

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 | - | - | - | - | 123,417 | 123,417 |
| Fair value changes of available-for-sale financial assets | - | - | - | 349 | - | 349 |
| Total comprehensive income for the period | - | - | - | - | - | - |
| Transfer to regulatory reserve | - | - | 9,608 | - | (9,608) | - |
| At 31 December 2017 | <u>2,452,605</u> | <u>126,963</u> | <u>64,957</u> | <u>1,939</u> | <u>180,959</u> | <u>2,827,423</u> |
| At 1 April 2016 | 1,575,000 | 87,018 | 41,624 | 379 | 40,929 | 1,744,950 |
| Loss for the period | - | - | - | - | 44,980 | 44,980 |
| Fair value changes of available-for-sale financial assets | - | - | - | 591 | - | 591 |
| Total comprehensive income for the period | - | - | - | 591 | 44,980 | 45,571 |
| Transfer to regulatory reserve | - | - | 7,300 | - | - | 7,300 |
| At 31 December 2016 | <u>1,575,000</u> | <u>87,018</u> | <u>48,924</u> | <u>970</u> | <u>85,909</u> | <u>1,797,821</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.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017

| | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
|--|--|--|
| Cash flows from operating activities | | |
| (Loss)/ Profit from ordinary activities before taxation | 165,493 | 63,704 |
| Adjustments for non-cash items | (7,833) | 20,430 |
| Operating profit before working capital changes | 157,660 | 84,134 |
| Changes in working capital: | | |
| Net changes in operating assets | (100,824) | (4,340,046) |
| Net changes in operating liabilities | (3,102,490) | 3,319,786 |
| Net cash used in from operating activities | (3,045,654) | (936,126) |
| Tax paid | (10,123) | (15,158) |
| Net cash used in from operating activities | (3,055,777) | (951,284) |
| Net cash used in investing activities | (73,317) | (390,838) |
| Net cash generated from financing activities | 877,605 | - |
| Net decrease in cash and cash equivalents during the financial period | (2,251,489) | (1,342,122) |
| 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 | 2,453,407 | 3,458,689 |
| Cash and cash equivalents comprise: | | |
| Cash and balances with banks and other financial institutions | 57,364 | 91,925 |
| Money at call and deposit placements maturing within one month | 2,396,043 | 3,366,764 |
| | 2,453,407 | 3,458,689 |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

1. Basis of Preparation

The unaudited condensed interim financial statements for the third quarter and nine months ended 31 December 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*

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

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 third quarter and nine months ended 31 December 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 third quarter and nine months ended 31 December 2017.

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the third quarter and nine months ended 31 December 2017.

7. Dividend

No dividend was paid during the third quarter and nine months ended 31 December 2017.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

8. Review of Performance

The Bank recorded a Profit Before Taxation amounting to RM165.5 million for the nine months ended 31 December 2017, an increase of RM101.8 million or 160.0% compared to the corresponding period last year. The positive result was mainly attributed to improved Net Interest Income amounting to RM147.4 million, which is a 35.1% increase as compared with the corresponding period last year. In addition, a reversal of Collective Impairment Allowance amounting to RM11.5 million for the period also added to the overall improved financial performance of the Bank.

Total Assets decreased to RM15,495 million, recording a 13.0% decrease as compared with the previous financial year. The reduction in Total Assets was mainly due to the 47.9% decrease in Cash and Short Term Funds to RM2,453 million. Apart from that, Loans, Advances and Financing has also reduced to RM10,761 million, a decrease of RM79 million or 0.7% against the previous financial year. Total Liabilities registered a reduction of 20.8% to RM12,668 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 RM9,727 million.

9. Current Year Prospects

The Malaysian economy continued to grow with the gross domestic product (“GDP”) growth expanding 6.2% in the third quarter of 2017, attributed by the strong domestic demand and continued strength in exports. With the continued pace of economic growth building up from the reported 5.6% and 5.8% in the first and second quarters respectively, several research houses had revised the full-year 2017 GDP forecast upwards to 5.8% from the previous 5.4%.

The domestic foreign exchange market had stabilised throughout the calendar year on the back of the Ringgit’s strengthening from USD/MYR4.43 at the end of March 2017 to USD/MYR4.05 at the end of December 2017. Since then, the Ringgit has strengthened to USD/MYR3.89 as at 25 January 2018 and it did not have any impact to the Bank’s financial performance. While the global trade conditions have 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.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

10. Investments Securities Available-for-Sale

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|-------------------------------------|--|---|
| At fair value | | |
| Negotiable instruments of deposits | 602,477 | 552,358 |
| Malaysian Government treasury bills | 130,309 | 109,851 |
| Malaysian Government sukuk | 20,026 | 19,995 |
| | <u>752,812</u> | <u>682,204</u> |

11. Loans, Advances and Financing

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|--|--|---|
| (a) By type: | | |
| At amortised cost: | | |
| Overdraft | 88,045 | 93,147 |
| Term loans | | |
| - Syndicated loans | 668,686 | 463,278 |
| - Syndicated Islamic financing | 121,959 | 133,062 |
| - Bridging loans | - | 15,524 |
| - Factoring receivables | 55,834 | 56,936 |
| - Other term loans | 5,040,818 | 5,479,371 |
| - Other Islamic term financing | 1,156,849 | 1,412,891 |
| Trade bills discounted | 83,960 | 119,407 |
| Revolving credits | 2,799,268 | 2,518,381 |
| Islamic revolving credit | 810,459 | 624,514 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |
| Less: Collective impairment provision | (64,957) | (76,417) |
| Net loans, advances and financing | <u>10,760,921</u> | <u>10,840,094</u> |
| (b) By geographical distribution: | | |
| Malaysia | 9,275,486 | 9,240,693 |
| Other countries | 1,550,392 | 1,675,818 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

11. Loans, Advances and Financing (Continued)

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|--|--|---|
| (c) By type of customer: | | |
| Domestic non-bank financial institutions | 3,375,111 | 3,427,396 |
| Domestic business enterprises | 7,409,933 | 7,404,539 |
| Foreign entities | 40,834 | 84,576 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |
| (d) By interest rate sensitivity: | | |
| Fixed rate | | |
| - Other fixed rate loans | 651,994 | 484,874 |
| Variable rate | | |
| - Cost-plus | 3,259,839 | 3,134,322 |
| - Other variable rates | 6,914,045 | 7,297,315 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |
| (e) By sector: | | |
| Primary agriculture | 48,477 | 54,180 |
| Mining and quarrying | 40,556 | 157,578 |
| Manufacturing | 2,910,000 | 2,535,097 |
| Electricity, gas and water | 1,017,814 | 1,112,626 |
| Construction | 41,443 | 64,598 |
| Wholesale and retail trade, and restaurants and hotels | 856,217 | 895,371 |
| Transport, storage and communication | 526,544 | 520,811 |
| Finance, insurance, and business services | 4,626,805 | 5,147,686 |
| Real estate | 448,667 | 417,327 |
| Education, health and others | 309,355 | 11,237 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

11. Loans, Advances and Financing (Continued)

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|---|--|---|
| (f) By economic purposes: | | |
| Purchase of securities | 42,783 | 332,412 |
| Purchase of residential property | - | 7,982 |
| Purchase of non-residential property | | |
| - Commercial complexes | 214,611 | 195,711 |
| Purchase of fixed assets other than land and building | 217,109 | 225,256 |
| Construction | 414,099 | 462,641 |
| Working Capital | 6,097,589 | 6,372,264 |
| Other purpose | 3,839,687 | 3,320,245 |
| Gross loans, advances and financing | <u>10,825,878</u> | <u>10,916,511</u> |
| (g) By residual contractual maturity: | | |
| Maturing within one year | 4,212,580 | 3,912,619 |
| One year to three years | 2,714,410 | 1,898,842 |
| Three years to five years | 3,032,693 | 4,375,142 |
| More than five years | 866,195 | 729,908 |
| Gross loans, advances and financing | <u>10,825,878</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 | (11,460) | 41,194 |
| At end of the financial period | <u>64,957</u> | <u>76,417</u> |
| As % of gross loans, advances and financing (inclusive of regulatory reserve) | <u>1.20%</u> | <u>1.21%</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

12. Deposits from Customers

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|--|--|---|
| (a) By type of deposits: | | |
| Demand deposits | 2,370,843 | 1,605,312 |
| Fixed deposits | 5,409,639 | 6,931,647 |
| Short-term deposits | 1,946,223 | 2,648,957 |
| | <u>9,726,705</u> | <u>11,185,916</u> |
| (b) By type of customers: | | |
| Domestic non-bank financial institutions | 136,485 | 416,464 |
| Domestic business enterprises | 5,138,880 | 6,271,333 |
| Branch of immediate holding company | 4,255,112 | 4,374,536 |
| Foreign non-bank entities | 195,398 | 122,783 |
| Domestic other entities | 830 | 800 |
| | <u>9,726,705</u> | <u>11,185,916</u> |
| (c) Maturity structure of fixed deposits: | | |
| Due within six months | 1,064,105 | 2,507,446 |
| Six months to one year | 314,784 | 20,362 |
| One year to three years | 1,280,015 | 1,035,237 |
| Three years to five years | 2,158,955 | 3,055,348 |
| Five years to ten years | 332,304 | 313,254 |
| Ten years or more | 259,476 | - |
| | <u>5,409,639</u> | <u>6,931,647</u> |

13. Deposits and Placements of Banks and Other Financial Institutions

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|-----------------------------|--|---|
| Licensed Malaysian Bank | 48,458 | - |
| Foreign banks | | |
| - Immediate holding company | 2,018,048 | 3,217,924 |
| | <u>2,066,506</u> | <u>3,217,924</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

14. Interest Income

| | 3rd Quarter Ended | | Nine Months Ended | |
|--|--|--|--|--|
| | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Loans, advances and financing | | | | |
| - Interest income | 61,306 | 49,376 | 190,040 | 123,023 |
| - Financing income | 9,829 | 11,455 | 30,154 | 28,216 |
| Money at call and deposit placements with banks and other financial institutions | 21,011 | 41,710 | 74,086 | 115,582 |
| Investment securities available-for-sale | 6,047 | 1,157 | 17,985 | 4,341 |
| Others | 158 | - | 444 | - |
| | <u>98,351</u> | <u>103,698</u> | <u>312,709</u> | <u>271,162</u> |

15. Interest Expense

| | 3rd Quarter Ended | | Nine Months Ended | |
|---|--|--|--|--|
| | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Deposits and placement of bank and other financial institutions | 8,168 | 12,541 | 35,184 | 30,458 |
| Deposits from customers | 41,041 | 48,992 | 129,525 | 130,749 |
| Investment securities available-for-sale | 143 | 302 | 461 | 807 |
| Others | 13 | 28 | 109 | 46 |
| | <u>49,365</u> | <u>61,863</u> | <u>165,279</u> | <u>162,060</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

16. Other Operating Income

| | 3rd Quarter Ended | | Nine Months Ended | |
|--|--|--|--|--|
| | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Fee and commission income | | | | |
| - Service charges/ fees | 18 | 1 | 35 | 15 |
| - Guarantee fees | 242 | 267 | 1,866 | 742 |
| - Loan related fees | 9,157 | 2,816 | 22,243 | 4,478 |
| - Commitment fees | 277 | 340 | 887 | 978 |
| | <u>9,694</u> | <u>3,424</u> | <u>25,031</u> | <u>6,213</u> |
| Gain from derivative financial instruments | <u>1,802</u> | <u>2,827</u> | <u>7,689</u> | <u>8,943</u> |
| Unrealised net gain/(loss) on revaluation of derivatives | <u>(2,960)</u> | <u>(1,672)</u> | <u>(5,948)</u> | <u>(3,063)</u> |
| Foreign exchange net gain | <u>20,781</u> | <u>9,303</u> | <u>54,067</u> | <u>27,537</u> |
| Other income | | | | |
| - Management fees | 2,903 | 2,182 | 6,358 | 4,716 |
| - Rental of fixed assets | 572 | 493 | 1,621 | 1,469 |
| - Miscellaneous income | 949 | 699 | 3,018 | 2,106 |
| | <u>4,424</u> | <u>3,374</u> | <u>10,997</u> | <u>8,291</u> |
| | <u>33,741</u> | <u>17,256</u> | <u>91,836</u> | <u>47,921</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

17. Other Operating Expenses

| | 3rd Quarter Ended | | Nine Months Ended | |
|---------------------------------|--|--|--|--|
| | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Personnel costs | | | | |
| Salaries, allowance and bonuses | 7,860 | 5,054 | 20,711 | 17,955 |
| Employees' provident fund | 919 | 496 | 2,476 | 1,842 |
| Staff training expenses | 91 | 117 | 246 | 317 |
| Other personnel expenses | 838 | 1,344 | 3,348 | 4,265 |
| | <u>9,708</u> | <u>7,011</u> | <u>26,781</u> | <u>24,379</u> |
| Establishment costs | | | | |
| Rental of premises | 447 | 447 | 1,342 | 1,342 |
| Depreciation | 1,104 | 1,025 | 3,162 | 3,037 |
| Repair and maintenance | 135 | 176 | 519 | 477 |
| Other establishment expenses | 3,986 | 1,516 | 9,721 | 8,782 |
| | <u>5,672</u> | <u>3,164</u> | <u>14,744</u> | <u>13,638</u> |
| Marketing expenses | | | | |
| Advertisement and publicity | 133 | 128 | 240 | 227 |
| Other marketing expenses | 40 | 38 | 91 | 88 |
| | <u>173</u> | <u>166</u> | <u>331</u> | <u>315</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

17. Other Operating Expenses (Continued)

| | 3rd Quarter Ended | | Nine Months Ended | |
|--|--|--|--|--|
| | 31 December 2017 RM'000 | 31 December 2016 RM'000 | 31 December 2017 RM'000 | 31 December 2016 RM'000 |
| Administration and general expenses | | | | |
| Guarantee fees | 4,201 | 3,172 | 22,808 | 6,744 |
| Auditors' remuneration | | | | |
| - Statutory audit | 62 | 80 | 185 | 188 |
| - Other services | 38 | 25 | 113 | 75 |
| Professional fees | 90 | 212 | 436 | 407 |
| Communication expenses | 117 | 80 | 310 | 272 |
| Management fees | 3,800 | 2,980 | 11,037 | 10,066 |
| License fees and stamp duties | (112) | 38 | 113 | 113 |
| Non-executive directors' fees and allowances | 144 | 91 | 454 | 285 |
| Other administration and general expenses | 1,972 | 1,139 | 7,921 | 3,566 |
| | <u>10,312</u> | <u>7,817</u> | <u>43,377</u> | <u>21,716</u> |
| | <u>25,865</u> | <u>18,158</u> | <u>85,233</u> | <u>60,048</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

18. Allowance for Impairment on Loans, Advances and Financing

| | 3rd Quarter Ended | | Nine Months Ended | |
|--------------------------------------|--------------------------|-----------------|--------------------------|-----------------|
| | 31 | 31 | 31 | 31 |
| | December | December | December | December |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Collective impairment allowance made | <u>(7,762)</u> | <u>12,368</u> | <u>(11,460)</u> | <u>33,271</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 third quarter and nine months ended 31 December 2017.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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 | | | |
| 31 December 2017 | | | | | | | | |
| <u>Assets</u> | | | | | | | | |
| Cash and short-term funds | 2,396,043 | - | - | - | - | 57,364 | - | 2,453,407 |
| Deposits and placements with banks and other financial institutions | - | 254,326 | 437,866 | - | - | - | - | 692,192 |
| Investment securities available-for-sale | 300,876 | 371,682 | 80,254 | - | - | - | - | 752,812 |
| Loans, advances and financing | 2,118,989 | 1,150,739 | 942,853 | 5,747,103 | 866,194 | (64,957) | - | 10,760,921 |
| Other assets | 65,098 | 1,345 | 3,588 | - | - | 27,169 | - | 97,200 |
| Derivative assets | - | - | 3,384 | 29,566 | - | - | 653,040 | 685,990 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 33,656 | - | 33,656 |
| Total assets | 4,881,006 | 1,778,092 | 1,467,945 | 5,776,669 | 866,194 | 53,232 | 653,040 | 15,476,178 |

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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 December 2017 | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | |
| Deposits from customers | 1,655,764 | 877,217 | 792,138 | 3,438,961 | 591,781 | 2,370,844 | - | 9,726,705 |
| Deposits and placements of banks and other financial institutions | 588,563 | 1,252,130 | 118,817 | 103,993 | - | 3,003 | - | 2,066,506 |
| Bills and acceptances payable | - | - | 1,264 | - | - | - | - | 1,264 |
| Other liabilities | 389 | 1,344 | 19,930 | 3,996 | 259 | 222,219 | - | 248,137 |
| Derivative financial liabilities | - | 2 | 5,585 | 2,125 | 11,013 | - | 565,495 | 584,220 |
| Total liabilities | <u>2,244,716</u> | <u>2,130,693</u> | <u>937,734</u> | <u>3,549,075</u> | <u>603,053</u> | <u>2,596,066</u> | <u>565,495</u> | <u>12,626,832</u> |
| On balance sheet interest rate gap | 2,636,290 | (352,601) | 530,211 | 2,227,594 | 263,141 | (2,542,834) | 87,545 | 2,849,346 |
| Off balance sheet interest rate gap | - | 855,023 | (64,348) | (790,675) | - | - | - | - |
| Total interest rate gap | <u>2,636,290</u> | <u>502,422</u> | <u>465,862</u> | <u>1,436,919</u> | <u>263,141</u> | <u>(2,542,834)</u> | <u>87,545</u> | <u>2,849,346</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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 |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

22. Use of Financial Instruments (Continued)

Interest rate risk (continued)

| | 31 December 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 | 2.26 | 3.05 | 1.19 |
| Deposits and placements with banks and other financial institutions | 3.35 | 2.16 | 3.41 | 1.53 |
| Loans, advances and financing | 4.22 | 2.49 | 4.26 | 2.02 |
| Financial liabilities | | | | |
| Deposits from customers | 3.45 | 1.58 | 3.46 | 1.06 |
| Deposits and placements of banks and other financial institutions | - | 1.62 | - | 1.10 |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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:

| | 31 December 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 | 180,959 | 67,150 |
| Statutory reserve | 126,963 | 126,963 |
| Available-for-sale reserve | 873 | 716 |
| | 2,761,400 | 1,769,829 |
| Less: Deferred tax assets | - | - |
| Common Equity Tier 1 (CET 1) and Tier-1 Capital | 2,761,400 | 1,769,829 |
| <u>Tier-2 capital</u> | | |
| Collective allowance for impairment | 64,957 | 76,417 |
| Regulatory reserves | 64,957 | 55,349 |
| Tier-2 Capital | 129,914 | 131,766 |
| Total capital base | 2,891,314 | 1,901,595 |
| <u>Capital ratios</u> | | |
| CET 1 and Tier 1 Capital Ratio | 22.433% | 15.293% |
| Total Capital Ratio | 23.488% | 16.432% |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

23. Capital Adequacy (Continued)

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

| | 31 December 2017 RM'000 | 31 March 2017 RM'000 |
|----------------------------|--|-------------------------------------|
| Credit risk | 11,657,003 | 11,040,792 |
| Market risk | 243,233 | 210,958 |
| Operational risk | 409,403 | 321,004 |
| Total risk-weighted assets | <u>12,309,639</u> | <u>11,572,754</u> |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

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:

| | ← 31 December 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 | 551,209 | 275,605 | 269,864 | 348,655 | 174,328 | 162,846 |
| Short-term self-liquidating trade-related contingencies | 223,807 | 44,761 | 44,761 | 52,505 | 10,501 | 10,501 |
| Foreign exchange related contracts: | | | | | | |
| One year or less | 12,027,198 | 507,991 | 305,571 | 5,299,673 | 391,607 | 234,413 |
| Over one year to five years | 7,297,893 | 988,251 | 564,673 | 8,571,990 | 1,314,041 | 730,722 |
| Over five years | 909,802 | 265,267 | 113,729 | 984,034 | 319,343 | 140,564 |
| Interest/ profit rate related contracts | | | | | | |
| One year or less | 67,348 | 685 | 330 | 39,998 | 91 | 53 |
| Over one year to five years | 790,675 | 27,059 | 18,128 | 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 | 4,943,479 | 2,471,740 | 2,424,101 | 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 | 882,121 | 176,424 | 175,927 | 920,369 | 184,074 | 156,427 |
| Total | 27,693,532 | 4,757,783 | 3,917,084 | 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.

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 31 December 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.

.....
Yoshimi Gunji
Chief Executive Officer

Date: 25 January 2018