

SUMITOMO MITSUI BANKING CORPORATION MALAYSIA BERHAD

(Company No. 926374-U)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 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 JUNE 2016

	Note	30 June 2016 RM'000	31 March 2016 RM'000
Assets			
Cash and short-term funds		4,044,566	4,800,811
Deposits and placements with banks and other financial institutions		661,719	187,530
Investment securities available-for-sale	10	200,636	160,975
Loans, advances and financing	11	7,341,298	6,368,607
Derivative financial assets		661,677	669,079
Other assets		27,578	30,707
Statutory deposits with Bank Negara Malaysia		890	-
Plant and equipment		17,382	17,840
Tax recoverable		14,254	9,188
Total assets		<u>12,970,000</u>	<u>12,244,737</u>
Liabilities			
Deposits from customers	12	7,110,100	6,838,407
Deposits and placements of banks and other financial institutions	13	3,137,313	2,680,274
Bills and acceptances payable		890	378
Derivative financial liabilities		575,352	578,483
Other liabilities		383,634	383,651
Deferred tax liabilities		18,173	18,594
Total liabilities		<u>11,225,462</u>	<u>10,499,787</u>
Equity			
Share capital		1,575,000	1,575,000
Reserves		169,538	169,950
Total equity attributable to owners of the Bank		<u>1,744,538</u>	<u>1,744,950</u>
Total liabilities and equity		<u>12,970,000</u>	<u>12,244,737</u>
Commitments and contingencies	24	<u>16,793,316</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 JUNE 2016**

		1st Quarter Ended		Three Months Ended	
	Note	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Interest income	14	79,723	46,238	79,723	46,238
Interest expense	15	(46,668)	(26,048)	(46,668)	(26,048)
Net interest income		<u>33,055</u>	<u>20,190</u>	<u>33,055</u>	<u>20,190</u>
Other operating income	16	14,580	9,193	14,580	9,193
Net operating income		<u>47,635</u>	<u>29,383</u>	<u>47,635</u>	<u>29,383</u>
Other operating expenses	17	(19,987)	(15,172)	(19,987)	(15,172)
Operating profit		<u>27,648</u>	<u>14,211</u>	<u>27,648</u>	<u>14,211</u>
Allowance for impairment on loans, advances and financing	18	(27,714)	(4,363)	(27,714)	(4,363)
(Loss)/ Profit before taxation		<u>(66)</u>	<u>9,848</u>	<u>(66)</u>	<u>9,848</u>
Tax expense		(115)	(2,324)	(115)	(2,324)
(Loss)/ Profit after taxation		<u>(181)</u>	<u>7,524</u>	<u>(181)</u>	<u>7,524</u>
Other comprehensive income for the period, net of income tax					
Fair value changes of investment securities available-for-sale		(231)	(45)	(231)	(45)
Total comprehensive income for the period		<u>(412)</u>	<u>7,479</u>	<u>(412)</u>	<u>7,479</u>
Basic earnings per ordinary share (sen)		<u>(0.01)</u>	<u>0.76</u>	<u>(0.01)</u>	<u>0.76</u>

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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
Loss for the period	-	-	-	-	(181)	(181)
Fair value changes of available-for-sale financial assets	-	-	-	(231)	-	(231)
Total comprehensive income for the period	-	-	-	(231)	(181)	(412)
Transfer to regulatory reserve	-	-	-	-	-	-
At 30 June 2016	1,575,000	87,018	41,624	148	40,748	1,744,538
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	-	-	-	-	7,524	7,524
Fair value changes of available-for-sale financial assets	-	-	-	(45)	-	(45)
Total comprehensive income for the period	-	-	-	(45)	7,524	7,479
Transfer to regulatory reserve	-	-	1,114	-	(1,114)	-
At 30 June 2015	1,575,000	49,673	17,865	(53)	34,867	1,677,352

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

	30 June 2016 RM'000	30 June 2015 RM'000
Cash flows from operating activities		
(Loss)/ Profit from ordinary activities before taxation	(66)	9,848
Adjustments for non-cash items	33,224	2,724
Operating profit before working capital changes	33,158	12,572
Changes in working capital:		
Net changes in operating assets	(1,472,355)	(938,054)
Net changes in operating liabilities	729,227	(662,725)
Net cash used in from operating activities	(709,970)	(1,588,207)
Tax paid	(5,550)	(3,851)
Net cash used in from operating activities	(715,520)	(1,592,058)
Net cash used in investing activities	(40,725)	(70,193)
Net cash generated from financing activities	-	875,000
Net decrease in cash and cash equivalents during the financial period	(756,245)	(787,251)
Cash and cash equivalents at beginning of the financial period	4,800,811	4,038,925
Cash and cash equivalents at end of the financial period	4,044,566	3,251,674
Cash and cash equivalents comprise:		
Cash and balances with banks and other financial institutions	87,159	30,980
Money at call and deposit placements maturing within one month	3,957,407	3,220,694
	4,044,566	3,251,674

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

1. Basis of Preparation

The unaudited condensed interim financial statements for the first quarter and three months ended 30 June 2015 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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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 first quarter and three months ended 30 June 2016.

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 first quarter and three months ended 30 June 2016.

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

6. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities in the first quarter and three months ended 30 June 2016.

7. Dividend

No dividend was paid during the first quarter and three months ended 30 June 2016.

8. Review of Performance

The Bank recorded an operating profit before tax amounting to RM27.6 million for the first quarter ended 30 June 2016. This was on a higher net operating income amounting to RM47.6 million an increase of RM18.2 million or 62.1% compared to the previous corresponding quarter. The higher net operating income was mainly contributed by higher net interest income, foreign exchange gains and gain on derivatives. Operating expenses increased by RM4.8 million or 31.7% mainly attributed to higher personnel costs, information systems and equipment cost, and guarantee fees. However, due to higher collective allowance for impairment on loans, advances and financing of RM23.3 million the Bank recorded a loss before tax of RM0.1 million for the quarter ended 30 June 2016, a decrease of RM9.9 million or 101.0% compared to the previous corresponding quarter.

Total assets at 30 June 2016 stood at RM12,970.0 million, RM725.3 million or 5.9% higher compared against 31 March 2016. Loans, advances and financing recorded an increase of RM972.7 million derived from increased deposits from customers 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 US Dollars, Chinese economy slump will affect export and domestic demand. This is expected to cause a decrease in new investment 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. 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 growth of the Malaysian economy.

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

10. Investments Securities Available-for-Sale

	30 June 2016 RM'000	31 March 2016 RM'000
At fair value		
Malaysian Government Treasury Bills	200,636	160,975
	200,636	160,975

11. Loans, Advances and Financing

	30 June 2016 RM'000	31 March 2016 RM'000
(a) By type:		
At amortised cost:		
Overdraft	23,587	45,176
Term loans		
- Syndicated loans	550,086	585,778
- Bridging loans	22,050	17,739
- Factoring receivables	65,099	49,311
- Other term loans	3,874,010	3,393,612
Trade bills discounted	56,592	54,774
Revolving credits	2,812,811	2,257,440
Gross loans, advances and financing	7,404,235	6,403,830
Less: Collective impairment provision	(62,937)	(35,223)
Net loans, advances and financing	7,341,298	6,368,607
(b) By geographical distribution:		
Malaysia	7,003,790	6,176,810
Other countries	400,445	227,020
Gross loans, advances and financing	7,404,235	6,403,830

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

11. Loans, Advances and Financing (Continued)

	30 June 2016 RM'000	31 March 2016 RM'000
(c) By type of customer:		
Domestic non-bank financial institutions	2,660,327	2,224,492
Domestic business enterprises	4,510,484	3,952,318
Foreign entities	233,424	227,020
Gross loans, advances and financing	<u>7,404,235</u>	<u>6,403,830</u>
(d) By interest rate sensitivity:		
Fixed rate		
- Other fixed rate loans	239,328	235,640
Variable rate		
- Cost-plus	2,487,376	2,137,967
- Other variable rates	4,677,531	4,030,223
Gross loans, advances and financing	<u>7,404,235</u>	<u>6,403,830</u>
(e) By sector:		
Primary agriculture	81,328	80,473
Mining and quarrying	121,676	316,054
Manufacturing	2,137,076	1,726,457
Electricity, gas and water	6,585	126,680
Construction	40,421	24,868
Wholesale and retail trade, and restaurants and hotels	904,646	714,835
Transport, storage and communication	271,014	303,446
Finance, insurance, and business services	3,643,824	2,738,238
Real estate	181,606	159,403
Education, health and others	16,059	213,376
Gross loans, advances and financing	<u>7,404,235</u>	<u>6,403,830</u>

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

11. Loans, Advances and Financing (Continued)

	30 June 2016 RM'000	31 March 2016 RM'000
(f) By economic purposes:		
Purchase of residential property	19,534	26,163
Purchase of non-residential property - Commercial complexes	167,021	167,045
Purchase of fixed assets other than land and building	236,723	197,607
Construction	387,423	267,577
Working Capital	5,010,522	4,318,512
Other purpose	1,583,012	1,426,926
Gross loans, advances and financing	<u>7,404,235</u>	<u>6,403,830</u>
(g) By residual contractual maturity:		
Maturing within one year	3,071,453	2,584,692
One year to three years	1,737,738	1,355,503
Three years to five years	2,237,550	2,112,388
More than five years	357,494	351,247
Gross loans, advances and financing	<u>7,404,235</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	27,714	18,472
At end of the financial period	<u>62,937</u>	<u>35,223</u>
As % of gross loans, advances and financing (inclusive of regulatory reserve)	<u>1.41%</u>	<u>1.20%</u>

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

12. Deposits from Customers

	30 June 2016 RM'000	31 March 2016 RM'000
(a) By type of deposits:		
Demand deposits	1,424,192	1,107,403
Fixed deposits	2,779,383	2,633,746
Short-term deposits	2,906,525	3,097,258
	7,110,100	6,838,407
(b) By type of customers:		
Domestic non-bank financial institutions	224,513	166,401
Domestic business enterprises	5,059,497	5,258,295
Branch of immediate holding company	1,608,062	1,310,511
Foreign non-bank entities	218,028	103,200
	7,110,100	6,838,407
(c) Maturity structure of fixed deposits:		
Due within six months	1,159,002	1,311,789
Six months to one year	12,319	11,447
One year to three years	473,374	371,889
Three years to five years	1,134,688	938,621
	2,779,383	2,633,746

13. Deposits and Placements of Banks and Other Financial Institutions

	30 June 2016 RM'000	31 March 2016 RM'000
Licensed Malaysian Bank	-	137,118
Foreign banks		
- Immediate holding company	3,137,313	2,543,156
	3,137,313	2,680,274

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

14. Interest Income

	1st Quarter Ended		Three Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Loans, advances and financing				
- Interest income other than from impaired loans	41,980	18,190	41,980	18,190
Money at call and deposit placements with banks and other financial institutions	36,044	26,246	36,044	26,246
Investment securities available-for-sale	1,699	1,720	1,699	1,720
Others	-	82	-	82
	<u>79,723</u>	<u>46,238</u>	<u>79,723</u>	<u>46,238</u>

15. Interest Expense

	1st Quarter Ended		Three Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Deposits and placement of bank and other financial institutions	8,393	3,981	8,393	3,981
Deposits from customers	38,018	21,896	38,018	21,896
Investment securities available-for-sale	249	89	249	89
Others	8	82	8	82
	<u>46,668</u>	<u>26,048</u>	<u>46,668</u>	<u>26,048</u>

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

16. Other Operating Income

	1st Quarter Ended		Three Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Fee and commission income				
- Service charges/fees	-	16	-	16
- Guarantee fees	223	150	223	150
- Loan related fees	797	267	797	267
- Commitment fees	349	264	349	264
	<u>1,369</u>	<u>697</u>	<u>1,369</u>	<u>697</u>
Gain from derivative financial instruments	<u>2,786</u>	<u>2,094</u>	<u>2,786</u>	<u>2,094</u>
Unrealised net loss on revaluation of derivatives	<u>(25)</u>	<u>(608)</u>	<u>(25)</u>	<u>(608)</u>
Foreign exchange net gain	<u>8,272</u>	<u>6,614</u>	<u>8,272</u>	<u>6,614</u>
Other income				
- Management fees	1,376	(326)	1,376	(326)
- Rental of fixed assets	487	475	487	475
- Miscellaneous income	315	247	315	247
	<u>2,178</u>	<u>396</u>	<u>2,178</u>	<u>396</u>
	<u>14,580</u>	<u>9,193</u>	<u>14,580</u>	<u>9,193</u>

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

17. Other Operating Expenses

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowance and bonuses	5,896	4,504	5,896	4,504
Employees' provident fund	610	438	610	438
Staff training expenses	79	52	79	52
Other personnel expenses	1,982	1,970	1,982	1,970
	<u>8,567</u>	<u>6,964</u>	<u>8,567</u>	<u>6,964</u>
Establishment costs				
Rental of premises	447	447	447	447
Depreciation	990	1,029	990	1,029
Repair and maintenance	116	51	116	51
Other establishment expenses	3,255	2,335	3,255	2,335
	<u>4,808</u>	<u>3,862</u>	<u>4,808</u>	<u>3,862</u>
Marketing expenses				
Advertisement and publicity	43	12	43	12
Other marketing expenses	22	27	22	27
	<u>65</u>	<u>39</u>	<u>65</u>	<u>39</u>

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

17. Other Operating Expenses (Continued)

	1st Quarter Ended		Three Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Administration and general expenses				
Guarantee fees	1,699	-	1,699	-
Auditors' remuneration				
- Statutory audit	54	49	54	49
- Other services	25	25	25	25
Professional fees	52	125	52	125
Communication expenses	114	86	114	86
Management fees	3,571	3,254	3,571	3,254
License fees and stamp duties	38	40	38	40
Non-executive directors' fees and allowances	94	95	94	95
Other administration and general expenses	900	633	900	633
	<u>6,547</u>	<u>4,307</u>	<u>6,547</u>	<u>4,307</u>
	<u>19,987</u>	<u>15,172</u>	<u>19,987</u>	<u>15,172</u>

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18. Allowance for Impairment on Loans, Advances and Financing

	1st Quarter Ended		Three Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Collective impairment allowance made	27,714	4,363	27,714	4,363

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 first quarter and three months ended 30 June 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 June 2016								
<u>Assets</u>								
Cash and short-term funds	3,967,417	-	-	-	-	77,149	-	4,044,566
Deposits and placements with banks and other financial institutions	-	661,719	-	-	-	-	-	661,719
Investment securities available-for-sale	-	60,217	140,419	-	-	-	-	200,636
Loans, advances and financing	2,203,766	538,780	333,256	3,973,733	354,700	(62,937) ^	-	7,341,298
Other assets	15,642	2,084	683	-	-	8,688	-	27,097
Derivative assets	5,408	15,549	38,514	50,327	4,996	-	546,883	661,677
Total assets	6,192,233	1,278,349	512,872	4,024,060	359,696	22,900	546,883	12,936,993

^ 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 June 2016								
<u>Liabilities</u>								
Deposits from customers	(2,287,686)	(1,650,504)	(139,649)	(1,608,061)	-	(1,424,200)	-	(7,110,100)
Deposits and placements of banks and other financial institutions	(1,877,112)	(1,045,434)	(32,466)	(67,584)	(110,053)	(4,664)	-	(3,137,313)
Bills and acceptances payable	-	-	(890)	-	-	-	-	(890)
Other liabilities	(346,538)	(872)	(4)	(3,570)	(426)	(32,224)	-	(383,634)
Derivative financial liabilities	-	-	-	-	-	-	(575,352)	(575,352)
Total liabilities	<u>(4,511,336)</u>	<u>(2,696,810)</u>	<u>(173,009)</u>	<u>(1,679,215)</u>	<u>(110,479)</u>	<u>(1,461,088)</u>	<u>(575,352)</u>	<u>(11,207,289)</u>
On balance sheet interest rate gap	1,680,897	(1,418,461)	339,863	2,344,845	249,217	(1,438,188)	(28,469)	1,729,704
Off balance sheet interest rate gap	-	679,129	(15,438)	(443,585)	(220,106)	-	-	-
Total interest rate gap	<u>1,680,897</u>	<u>(739,332)</u>	<u>324,425</u>	<u>1,901,260</u>	<u>29,111</u>	<u>(1,438,188)</u>	<u>(28,469)</u>	<u>1,729,704</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 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>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 June 2016		31 March 2016	
	MYR	USD	MYR	USD
	%	%	%	%
Financial assets				
Cash and short-term funds	3.26	0.54	3.24	0.41
Deposits and placements with banks and other financial institutions	3.62	0.79	3.65	0.73
Loans, advances and financing	4.34	1.68	4.39	1.61
Financial liabilities				
Deposits from customers	3.70	0.54	3.73	0.60
Deposits and placements of banks and other financial institutions	-	0.78	-	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 June 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	40,748	40,929
Statutory reserve	87,018	87,018
Available-for-sale reserve	67	171
	1,702,833	1,703,118
Less: Deferred tax assets	-	-
Common Equity Tier 1 (CET 1) and Tier-1 Capital	1,702,833	1,703,118
<u>Tier-2 capital</u>		
Collective allowance for impairment	62,937	35,223
Regulatory reserves	41,624	41,624
Tier-2 Capital	104,561	76,847
Total capital base	1,807,394	1,779,965
<u>Capital ratios</u>		
CET 1 and Tier 1 Capital Ratio	17.817%	19.451%
Total Capital Ratio	18.911%	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 June 2016 RM'000	31 March 2016 RM'000
Credit risk	9,105,080	8,323,348
Market risk	197,991	193,898
Operational risk	254,099	238,734
Total risk-weighted assets	<u>9,557,170</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 June 2016 →			← 31 March 2016 →		
	Principal amount RM'000	Credit equivalent* RM'000	Risk- weighted assets RM'000	Principal amount RM'000	Credit equivalent* RM'000	Risk- weighted assets RM'000
Transaction related contingent items	224,586	112,293	100,812	172,497	86,249	74,767
Short-term self-liquidating trade-related contingencies	16,182	3,236	3,236	38,413	7,683	7,683
Foreign exchange related contracts:						
One year or less	4,022,569	202,162	133,400	4,573,626	250,552	159,320
Over one year to five years	7,676,575	1,104,192	603,626	7,236,524	1,050,360	595,096
Over five years	1,411,769	372,586	199,984	1,392,619	353,301	189,110
Interest/ profit rate related contracts						
One year or less	17,438	50	37	33,118	164	124
Over one year to five years	443,585	16,246	13,119	448,648	17,604	13,606
Over five years	220,106	18,203	14,902	213,904	16,610	13,402
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,274,631	1,137,316	1,105,066	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	485,875	97,175	97,175	704,768	140,954	128,417
Total	16,793,316	3,063,459	2,271,357	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 June 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: 28 July 2016