

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

The following is a summary of SMBC's nonconsolidated financial results for the first half of fiscal 2006, the six-month period ended September 30, 2006.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) in the first half of fiscal 2006 decreased ¥162.6 billion to ¥311.6 billion year on year, as a result of a ¥157.5 billion decrease in gross banking profit to ¥609.1 billion, and a ¥5.0 billion increase in expenses (excluding nonrecurring losses) to ¥297.5 billion.

Ordinary profit, calculated by adjusting banking profit (before provision for general reserve for possible loan losses) for nonrecurring items such as credit cost and gains on stocks, decreased ¥90.7 billion to ¥269.0 billion.

After adjusting ordinary profit for extraordinary gains and losses, and for income taxes, net income came to ¥183.6 billion, a year-on-year decrease of ¥115.1 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit in the first half of fiscal 2006 decreased ¥157.5 billion year on year to ¥609.1 billion.

This was the result of a decrease of ¥90 billion in gains on investments in bonds (including Japanese government bonds) within the category of "other operating income," principally as a result of a reduction in the bond portfolio in anticipation of higher interest rates in both Japan and the United States.

Expenses

Expenses (excluding nonrecurring losses) increased ¥5.0 billion year on year, to ¥297.5 billion. This increase was mainly attributable to higher non-personnel expenses incurred as part of our policy of aggressive investment in priority business fields.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased ¥162.6 billion year on year, to ¥311.6 billion.

Banking Profit

Six months ended September 30, 2006 and 2005, and year ended March 31, 2006

| | Millions of yen | | |
|--|--|--|------------------------------|
| | Six months ended September 30, 2006 | Six months ended September 30, 2005 | Year ended March 31, 2006 |
| Gross banking profit | ¥609,120 | ¥766,648 | ¥1,552,033 |
| [Gross domestic banking profit] | [540,056] | [626,576] | [1,266,488] |
| [Gross international banking profit] | [69,064] | [140,071] | [285,545] |
| Net interest income | 443,810 | 454,350 | 954,544 |
| Trust fees | 1,407 | 4,284 | 8,626 |
| Net fees and commissions | 159,486 | 163,433 | 366,675 |
| Net trading income | 40,125 | 3,570 | 11,937 |
| Net other operating income (loss) | (35,709) | 141,009 | 210,248 |
| [Gross banking profit (excluding gains (losses) on bonds)] | [670,813] | [738,282] | [1,562,354] |
| Expenses (excluding nonrecurring losses) | (297,511) | (292,415) | (586,459) |
| Personnel expenses | (96,868) | (98,888) | (192,359) |
| Nonpersonnel expenses | (183,893) | (177,046) | (360,720) |
| Taxes | (16,749) | (16,480) | (33,379) |
| Banking profit (before provision for general reserve for possible loan losses) ... | 311,609 | 474,233 | 965,573 |
| [Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)] | [373,301] | [445,867] | [975,894] |
| Provision for general reserve for possible loan losses | — | 24,335 | (154,980) |
| Banking profit | 311,609 | 498,568 | 810,593 |

<Reference>

Banking Profit by Business Unit

Six months ended September 30, 2006

| | Billions of yen | | | | | | |
|---|--------------------------|-------------------------------|---------------------------|-------------------------------|------------------|---------|---------|
| | Consumer Banking Unit | Middle Market Banking Unit | Corporate Banking Unit | International Banking Unit | Treasury Unit | Others | Total |
| Banking profit (losses) (before provision for general reserve for possible loan losses) | ¥68.1 | ¥197.0 | ¥74.7 | ¥34.7 | ¥ (8.8) | ¥(54.1) | ¥311.6 |
| Year-on-year increase (decrease) | (3.8) | (42.9) | (9.2) | 5.0 | (123.4) | 11.7 | (162.6) |

Notes: 1. Year-on-year comparisons are those used for internal reporting and exclude changes due to interest rate and foreign exchange rate fluctuations.
2. "Others" consists of (1) financing costs on preferred securities and subordinated debt, (2) profit earned on investing the Bank's own capital, and (3) adjustment of inter-unit transactions, etc.

Nonrecurring Losses (Credit Cost, etc.)

Nonrecurring losses amounted to ¥42.5 billion, representing a ¥96.2 billion improvement year on year. This was caused principally by a decrease of ¥107.2 billion in credit cost. Total credit cost amounted to ¥33.2 billion, which was calculated after deduction of gains on the reversal of reserves for possible loan losses and gains on the collection of written-off claims (registered as extraordinary gains) from the above-mentioned credit cost in the amount of ¥46.7 billion. (Please refer to the “Asset Quality” section beginning on page 20 for more information on credit cost and problem assets.)

Ordinary Profit and Net Income

Six months ended September 30, 2006 and 2005, and year ended March 31, 2006

| | Millions of yen | | |
|--|--|--|------------------------------|
| | Six months ended September 30, 2006 | Six months ended September 30, 2005 | Year ended March 31, 2006 |
| Banking profit (before provision for general reserve for possible loan losses).... | ¥311,609 | ¥ 474,233 | ¥ 965,573 |
| Provision for general reserve for possible loan losses (A) | — | 24,335 | (154,980) |
| Banking profit..... | 311,609 | 498,568 | 810,593 |
| Nonrecurring gains (losses)..... | (42,531) | (138,790) | (89,659) |
| Credit cost (B)..... | (46,701) | (153,994) | (106,560) |
| Gains (losses) on stocks | 8,720 | 24,942 | 25,460 |
| Gains on sale of stocks | 14,742 | 34,137 | 70,085 |
| Losses on sale of stocks | (97) | (360) | (13,367) |
| Losses on devaluation of stocks | (5,924) | (8,833) | (31,257) |
| Others..... | (4,550) | (9,738) | (8,559) |
| Ordinary profit..... | 269,078 | 359,778 | 720,933 |
| Extraordinary gains (losses) | 29,272 | (4,662) | 25,739 |
| Gains (losses) on disposal of premises and equipment | — | 665 | 1,457 |
| Gains (losses) on disposal of fixed assets | (864) | — | — |
| Losses on impairment of fixed assets | (1,457) | (5,288) | (6,300) |
| Gains on reversal of reserve for possible loan losses (C) | 13,330 | — | — |
| Gains on collection of written-off claims (D) | 137 | 12 | 30,605 |
| Gains on return of securities from retirement benefits trust..... | 36,330 | — | — |
| Losses on liquidation of subsidiary | (18,203) | — | — |
| Income taxes: | | | |
| Current..... | (7,753) | (5,081) | (13,512) |
| Deferred..... | (106,951) | (51,267) | (213,639) |
| Net income | ¥183,646 | ¥ 298,766 | ¥ 519,520 |
| Total credit cost (A) + (B) + (C) + (D) | ¥ (33,233) | ¥(129,659) | ¥(230,935) |
| Provision for general reserve for possible loan losses | 19,549 | 24,335 | (154,980) |
| Write-off of loans | (39,937) | (16,804) | (12,650) |
| Provision for specific reserve for possible loan losses | (6,265) | (122,647) | (15,825) |
| Losses on sales of delinquent loans..... | (6,764) | (14,746) | (79,659) |
| Provision for loan loss reserve for specific overseas countries | 46 | 202 | 1,575 |
| Gains on collection of written-off claims | 137 | / | 30,605 |

Note: Total credit cost for six months ended September 30, 2006 and year ended March 31, 2006 include gains on collection of written-off claims.

3. Assets, Liabilities and Net Assets

Total Assets

SMBC's total assets as of September 30, 2006 stood at ¥93,149.1 billion on a nonconsolidated basis, a ¥4,294.2 billion decrease compared with the previous fiscal year-end.

Ordinary Profit

As a result of the foregoing, ordinary profit decreased ¥90.7 billion year on year to ¥269.0 billion.

Extraordinary Gains (Losses)

Net extraordinary gains amounted to ¥29.2 billion, which compared with net extraordinary losses of ¥4.7 billion for the previous first-half period.

Net Income

Income taxes prior to the application of tax-effect accounting amounted to ¥7.7 billion, and deferred income taxes under tax-effect accounting amounted to ¥106.9 billion. As a result of the various factors described above, net income decreased ¥115.1 billion to ¥183.6 billion year on year.

This decrease was the result of a decrease of ¥3,155.0 billion in the balance of securities held, owing to the divestiture of securities in anticipation of higher interest rates. Additionally, a decline in cash and due from the Bank of

Japan (BOJ), as a result of the ending of the BOJ's quantitative monetary easing policy, led to a fall of ¥2,745.7 billion in cash and due from banks, which more than offset a year-on-year increase of ¥2,044.9 billion in lending to customers both in Japan and overseas.

Total Liabilities

Total liabilities as of September 30, 2006 decreased ¥4,151.8 billion to ¥89,656.7 billion from the previous fiscal year-end. This was mainly attributable to a decrease in fund procurement in line with the shrinkage of the bank's assets, which more than offset a ¥1,076.4 billion increase in deposits held (principally from overseas depositors).

Assets, Liabilities and Net Assets

September 30, 2006 and 2005, and March 31, 2006

| | Millions of yen | | |
|---|--------------------|--------------------|----------------|
| | September 30, 2006 | September 30, 2005 | March 31, 2006 |
| Assets..... | ¥93,149,162 | ¥93,293,761 | ¥97,443,428 |
| Securities..... | 22,047,445 | 23,039,486 | 25,202,541 |
| Loans and bills discounted..... | 53,902,477 | 50,949,158 | 51,857,559 |
| Liabilities..... | 89,656,772 | 90,122,526 | 93,808,652 |
| Deposits..... | 66,147,242 | 63,380,886 | 65,070,784 |
| Negotiable certificates of deposit..... | 2,393,807 | 2,602,639 | 3,151,382 |
| Net assets..... | 3,492,390 | 3,171,235 | 3,634,776 |

Note: From this interim period, SMBC applied "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No.5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8).

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2006 amounted to ¥1,434.2 billion, which was a decrease of ¥118.9 billion from the previous fiscal year-end. Net unrealized gains on other securities (including "other money held in trust"), changes in which are recorded in net assets,

increased by ¥101.2 billion over the same period, to ¥1,417.6 billion.

The increase in unrealized gains on other securities was attributable to an improvement in the balance of unrealized gains/losses on bond holdings.

Unrealized Gains (Losses) on Securities

September 30, 2006 and March 31, 2006

| | Millions of yen | | | | | | |
|---|-----------------------------------|------------------|------------------|-------------------|-----------------------------------|------------------|-------------------|
| | September 30, 2006 | | | | March 31, 2006 | | |
| | Net unrealized gains (losses) (A) | (A) – (B) | Unrealized gains | Unrealized losses | Net unrealized gains (losses) (B) | Unrealized gains | Unrealized losses |
| Held-to-maturity securities..... | ¥ (16,195) | ¥ 14,587 | ¥ 374 | ¥ 16,570 | ¥ (30,782) | ¥ 577 | ¥ 31,359 |
| Stocks of subsidiaries and affiliates | 32,776 | (234,799) | 103,063 | 70,286 | 267,575 | 270,285 | 2,710 |
| Other securities | 1,417,430 | 101,224 | 1,669,272 | 251,841 | 1,316,206 | 1,695,589 | 379,383 |
| Stocks | 1,622,075 | (10,329) | 1,639,651 | 17,575 | 1,632,404 | 1,649,881 | 17,476 |
| Bonds | (169,151) | 113,103 | 618 | 169,770 | (282,254) | 727 | 282,981 |
| Others | (35,493) | (1,550) | 29,002 | 64,495 | (33,943) | 44,980 | 78,924 |
| Other money held in trust..... | 217 | 8 | 236 | 18 | 209 | 209 | — |
| Total | 1,434,229 | (118,979) | 1,772,946 | 338,716 | 1,553,208 | 1,966,661 | 413,453 |
| Stocks | 1,654,852 | (245,127) | 1,742,714 | 87,862 | 1,899,979 | 1,920,166 | 20,186 |
| Bonds | (185,568) | 127,739 | 771 | 186,340 | (313,307) | 1,033 | 314,341 |
| Others | (35,053) | (1,590) | 29,460 | 64,514 | (33,463) | 45,460 | 78,924 |

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Cash and due from banks & Deposits with banks" and on beneficiary claims on loan trust and commodity investment trusts in "Commercial paper and other debt purchased."

2. Unrealized gains (losses) on stocks (excluding stocks of subsidiaries and affiliates) are calculated using average market prices during the final month of the respective reporting period. The rest of the securities are valued at market prices as of the balance sheet date.

3. "Other securities" and "Other money held in trust" are valued and recorded on the balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.

Net unrealized gains on other securities as of March 31, 2006 include losses of ¥3,193 million that were recognized in income statement by applying fair value hedge accounting, which are included in the amount to be directly included in Stockholders' equity.