

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

Sumitomo Mitsui Banking Corporation

The following is a summary of SMBC's nonconsolidated financial results for the fiscal year ended March 31, 2009.

1. Operating Results

Gross banking profit in fiscal 2008 increased ¥40 billion from the previous fiscal year, to ¥1,524.8 billion, and expenses (excluding nonrecurring losses) rose ¥36.3 billion, to ¥701.4 billion. As a consequence, banking profit (before provision for general reserve for possible loan losses) expanded ¥3.6 billion, to ¥823.3 billion.

Ordinary profit, calculated by adjusting banking profit (before provision for general reserve for possible loan losses) for nonrecurring items, such as total credit cost and losses on stocks, declined ¥474.6 billion, to ¥36 billion.

After adjustment of ordinary profit for extraordinary losses and income taxes, SMBC posted a net loss of ¥301.1 billion, representing a decline of ¥506.8 billion from the previous fiscal year's net income.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased ¥40 billion over the previous fiscal year, to ¥1,524.8 billion. The principal reasons for this rise were an improvement in net interest income on better net interest margins in overseas operations, and higher net trading income due to trading operations taking advantage of interest-rate trends in Japan and overseas and reduction of sub-prime exposures.

Expenses

Expenses (excluding nonrecurring losses) increased ¥36.3 billion, to ¥701.4 billion, due chiefly to computer system outlays for growth business areas and capital of investment in premises and facilities to improve customer services.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased ¥3.6 billion from the previous fiscal year, to ¥823.3 billion.

Banking Profit

| Year ended March 31 | Millions of yen | | |
|--------------------------------------------------------------------------------------------------------------------|-----------------|----------------|----------------------------------|
| | 2009 (A) | 2008 (B) | Increase (decrease) (A) – (B) |
| Gross banking profit | ¥1,524,856 | ¥1,484,783 | ¥ 40,073 |
| [Gross domestic banking profit] | [1,147,202] | [1,198,285] | [(51,083)] |
| [Gross international banking profit] | [377,654] | [286,497] | [91,157] |
| Net interest income | 1,018,389 | 970,818 | 47,571 |
| Trust fees | 2,074 | 3,710 | (1,636) |
| Net fees and commissions | 293,824 | 332,362 | (38,538) |
| Net trading income | 175,038 | 440,985 | (265,947) |
| Net other operating income (expenses) | 35,530 | (263,093) | 298,623 |
| [Gross banking profit (excluding gains (losses) on bonds)] | [1,498,728] | [1,514,841] | [(16,113)] |
| Expenses (excluding nonrecurring losses) | (701,479) | (665,091) | (36,388) |
| Personnel expenses | (236,966) | (211,681) | (25,285) |
| Nonpersonnel expenses | (426,231) | (413,317) | (12,914) |
| Taxes | (38,282) | (40,092) | 1,810 |
| Banking profit (before provision for general reserve for possible loan losses) | 823,377 | 819,691 | 3,686 |
| [Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)] | [797,248] | [849,750] | [(52,502)] |
| Provision for general reserve for possible loan losses | (75,730) | — | (75,730) |
| Banking profit | 747,647 | 819,691 | (72,044) |

<Reference>

Banking Profit by Business Unit

| Year ended March 31, 2009 | Billions of yen | | | | | | |
|--------------------------------------------------------------------------------------|-----------------------|----------------------------|------------------------|----------------------------|---------------|----------|--------|
| | Consumer Banking Unit | Middle Market Banking Unit | Corporate Banking Unit | International Banking Unit | Treasury Unit | Others | Total |
| Banking profit (before provision for general reserve for possible loan losses) | ¥138.7 | ¥317.1 | ¥165.2 | ¥110.2 | ¥228.9 | ¥(136.7) | ¥823.3 |
| Year-on-year increase (decrease) | (30.6) | (104.1) | 9.6 | 28.7 | 101.1 | (1.0) | 3.6 |

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 ¥711.5 billion, which was ¥402.6 billion more than for the previous fiscal year. The main factors were poor business conditions at our customers due to adverse economic trends at home and abroad, and an increase in credit cost, of ¥319.3 billion to ¥474.3 billion, mainly for additional loan loss provisions for further economic deterioration.

Please note that total credit cost — which is the combined total of credit cost of ¥474.3 billion recorded under “Nonrecurring losses,” provision for general reserve for possible loan losses, and gains on the recoveries of written-off claims — amounted to ¥550 billion, which was ¥402.3 billion higher than in the previous fiscal year.

Ordinary Profit

As a result of the foregoing, ordinary profit totaled ¥36 billion, ¥474.6 billion lower than in the previous fiscal year.

Extraordinary Gains (Losses)

Net extraordinary losses amounted to ¥8.2 billion, which represented an increase of ¥4.9 billion from the prior year.

Net Income (Loss)

Current income taxes amounted to ¥23.7 billion, and deferred income taxes were ¥305.1 billion. As a result, SMBC posted a net loss of ¥301.1 billion, a decrease of ¥506.8 billion from the previous year's net income.

Ordinary Profit and Net Income (Loss)

| Year ended March 31 | Millions of yen | | |
|--------------------------------------------------------------------------------------|-----------------|------------|----------------------------------|
| | 2009 (A) | 2008 (B) | Increase (decrease) (A) – (B) |
| Banking profit (before provision for general reserve for possible loan losses) | ¥ 823,377 | ¥ 819,691 | ¥ 3,686 |
| Provision for general reserve for possible loan losses (A) | (75,730) | — | (75,730) |
| Banking profit | 747,647 | 819,691 | (72,044) |
| Nonrecurring gains (losses) | (711,591) | (308,952) | (402,639) |
| Credit cost (B) | (474,358) | (155,011) | (319,347) |
| Net gains (losses) on stocks | (220,429) | (141,002) | (79,427) |
| Gains on sale of stocks | 7,066 | 26,718 | (19,652) |
| Losses on sale of stocks | (4,348) | (2,311) | (2,037) |
| Losses on devaluation of stocks | (223,147) | (165,409) | (57,738) |
| Others | (16,803) | (12,937) | (3,866) |
| Ordinary profit | 36,055 | 510,739 | (474,684) |
| Extraordinary gains (losses) | (8,269) | (3,284) | (4,985) |
| Losses on disposal of fixed assets | (2,139) | (5,849) | 3,710 |
| Losses on impairment of fixed assets | (6,138) | (4,700) | (1,438) |
| Gains on reversal of reserve for possible loan losses (C) | — | 7,238 | (7,238) |
| Gains on recoveries of written-off claims (D) | 8 | 7 | 1 |
| Income taxes: | | | |
| Current | (23,748) | (16,031) | (7,717) |
| Deferred | (305,154) | (285,680) | (19,474) |
| Net income (loss) | ¥(301,116) | ¥ 205,742 | ¥(506,858) |
| Total credit cost (A) + (B) + (C) + (D) | ¥(550,079) | ¥(147,765) | ¥(402,314) |
| Provision for general reserve for possible loan losses | (75,730) | 96,900 | (172,630) |
| Write-off of loans | (231,412) | (121,801) | (109,611) |
| Provision for specific reserve for possible loan losses | (182,346) | (91,603) | (90,743) |
| Losses on sales of delinquent loans | (60,182) | (33,209) | (26,973) |
| Provision for loan loss reserve for specific overseas countries | (417) | 1,941 | (2,358) |
| Gains on recoveries of written-off claims | 8 | 7 | 1 |

3. Assets, Liabilities and Net Assets

Assets

SMBC's assets as of March 31, 2009, totaled ¥107,478.2 billion, which was ¥7,445.1 billion higher than a year earlier. The principal reasons for this rise were a ¥5,242.2 billion increase in securities due to trading operations taking advantage of interest-rate trends in Japan and overseas, and an increase in loans outstanding of ¥3,283.4 billion due to our proactive response to strong borrowing demand in Japan and overseas.

Liabilities

Liabilities as of March 31, 2009, amounted to ¥104,931.7 billion, an increase of ¥8,391.9 billion from the previous fiscal year-end. This rise was primarily due to steady increases in deposits and negotiable certificates of deposit.

Net Assets

Net assets at fiscal year-end amounted to ¥2,546.4 billion. Of this total, stockholders' equity amounted to ¥2,532.2 billion, consisting of ¥664.9 billion in capital stock, ¥1,367.5 billion in capital surplus (including ¥702.5 billion in other capital surplus), and ¥499.6 billion in retained earnings.

Valuation and translation adjustments were ¥14.2 billion, which included ¥52.7 billion in net unrealized losses on other securities, ¥45.3 billion in net deferred gains on hedges, and ¥21.6 billion in land revaluation excess.

Assets, Liabilities and Net Assets

| March 31 | Millions of yen | | |
|------------------------------------------|---------------------|--------------|----------------------------------|
| | 2009 (A) | 2008 (B) | Increase (decrease) (A) – (B) |
| Assets..... | ¥107,478,218 | ¥100,033,020 | ¥7,445,198 |
| Securities | 28,000,515 | 22,758,241 | 5,242,274 |
| Loans and bills discounted..... | 60,241,266 | 56,957,813 | 3,283,453 |
| Liabilities..... | 104,931,725 | 96,539,771 | 8,391,954 |
| Deposits | 69,499,997 | 66,417,260 | 3,082,737 |
| Negotiable certificates of deposit | 7,405,710 | 2,965,574 | 4,440,136 |
| Net Assets | 2,546,493 | 3,493,249 | (946,756) |

4. Unrealized Gains (Losses) on Securities

Net unrealized losses on securities as of March 31, 2009 amounted to ¥18.6 billion, which represented a decrease of ¥792.4 billion from the gain at the previous fiscal year-end, due mainly to greater unrealized losses on stocks. Net

unrealized losses on other securities, including “other money held in trust,” which is directly debited to net assets, increased by ¥798.6 billion from the previous year’s gains, to ¥42.9 billion.

Unrealized Gains (Losses) on Securities

| | Millions of yen | | | | | | |
|---------------------------------------------|-----------------------------------|-----------|------------------|-------------------|-----------------------------------|------------------|-------------------|
| | 2009 | | | | 2008 | | |
| March 31 | Net unrealized gains (losses) (A) | (A) – (B) | Unrealized gains | Unrealized losses | Net unrealized gains (losses) (B) | Unrealized gains | Unrealized losses |
| Held-to-maturity securities..... | ¥27,851 | ¥ 10,776 | ¥ 28,155 | ¥ 304 | ¥ 17,075 | ¥ 18,373 | ¥ 1,298 |
| Stocks of subsidiaries and affiliates | (3,536) | (4,590) | — | 3,536 | 1,054 | 14,885 | 13,831 |
| Other securities | (42,701) | (798,450) | 337,535 | 380,237 | 755,749 | 1,030,778 | 275,029 |
| Stocks | (16,545) | (952,869) | 273,058 | 289,604 | 936,324 | 992,665 | 56,341 |
| Bonds | (1,241) | 128,267 | 16,910 | 18,152 | (129,508) | 15,579 | 145,087 |
| Others | (24,914) | 26,153 | 47,566 | 72,480 | (51,067) | 22,533 | 73,600 |
| Other money held in trust | (262) | (233) | — | 262 | (29) | — | 29 |
| Total | (18,649) | (792,498) | 365,691 | 384,341 | 773,849 | 1,064,037 | 290,188 |
| Stocks | (20,082) | (957,460) | 273,058 | 293,140 | 937,378 | 1,007,551 | 70,172 |
| Bonds | 26,609 | 139,041 | 45,066 | 18,456 | (112,432) | 33,952 | 146,385 |
| Others | (25,176) | 25,920 | 47,566 | 72,743 | (51,096) | 22,533 | 73,630 |

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Cash and due from banks” and “Deposits with banks” and beneficiary claims on loan trust in “Monetary claims bought,” etc.
2. Unrealized gains (losses) on stocks (excluding stocks of subsidiaries and affiliates) (including foreign stocks) are calculated using the average market price during the final month of the respective reporting period. The rest of the securities are valued at the market price 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.
4. Floating-rate Japanese government bonds which SMBC held as “Other securities” had been carried on the balance sheet at market values. From the fiscal year ended March 31, 2009, such bonds have been carried at their reasonably estimated amounts in accordance with the “Practical Solution on Measurement of Fair Value of Financial Assets” (Accounting Standards Board of Japan Practical Issues Task Force No. 25). As a result of this accounting change, compared with the former accounting method, “Securities” and “Net unrealized gains (losses) on other securities” increased by ¥113,203 million and ¥67,209 million, respectively, and “Deferred tax assets” decreased by ¥45,994 million.