

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

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The following is a summary of SMBC's nonconsolidated financial results for the first half of fiscal 2008, the six-month period ended September 30, 2008.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) in the first half of fiscal 2008 decreased ¥12.4 billion to ¥378.4 billion year on year, as a result of a ¥16.5 billion increase in gross banking profit to ¥735.0 billion, and a ¥28.9 billion increase in expenses (excluding nonrecurring losses) to ¥356.5 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 losses on stocks, decreased ¥35.7 billion to ¥122.1 billion.

After adjusting ordinary profit for extraordinary losses, and for income taxes, net income came to ¥80.3 billion, a year-on-year increase of ¥16.5 billion.

This increase was due to a gain in net interest income owing to a higher balance of loans outstanding in international banking activities, an improvement in interest margins, and other factors.

Expenses

Expenses (excluding nonrecurring losses) increased ¥28.9 billion year on year, to ¥356.5 billion. This increase was mainly attributable to investments in systems to strengthen the Group's position in growth businesses and investments for expansion in business locations and facilities to enhance user convenience.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased ¥12.4 billion year on year, to ¥378.4 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit in the first half of fiscal 2008 increased ¥16.5 billion year on year to ¥735.0 billion.

◆ Banking Profit

Six months ended September 30, 2008 and 2007, and year ended March 31, 2008

	Millions of yen		
	Six months ended September 30	2007	Year ended March 31
	2008	2007	2008
Gross banking profit	¥735,053	¥718,492	¥1,484,783
[Gross domestic banking profit]	[566,042]	[601,219]	1,198,285
[Gross international banking profit]	[169,010]	[117,272]	286,497
Net interest income	512,941	477,542	970,818
Trust fees	1,244	2,239	3,710
Net fees and commissions	147,081	157,156	332,362
Net trading income	(14,707)	103,277	440,985
Net other operating income (expenses)	88,494	(21,723)	(263,093)
[Gross banking profit (excluding gains (losses) on bonds)]	[739,613]	[724,741]	[1,514,841]
Expenses (excluding nonrecurring losses)	(356,566)	(327,587)	(665,091)
Personnel expenses	(121,669)	(107,258)	(211,681)
Nonpersonnel expenses	(216,070)	(200,867)	(413,317)
Taxes	(18,825)	(19,462)	(40,092)
Banking profit (before provision for general reserve for possible loan losses)	378,486	390,904	819,691
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[383,047]	[397,153]	[849,750]
Provision for general reserve for possible loan losses	(3,729)	(7,784)	—
Banking profit	374,757	383,119	819,691

<Reference>

◆ Banking Profit by Business Unit

Six months ended September 30, 2008

	Billions of yen					
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others
Banking profit (losses) (before provision for general reserve for possible loan losses)	¥70.3	¥169.9	¥78.6	¥55.3	¥80.7	¥(76.3)
Year-on-year increase (decrease)	(11.6)	(38.5)	3.1	15.0	29.5	(9.9)
						(12.4)

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 increased by ¥27.3 billion to ¥252.6 billion from the previous year. This increase was primarily due to a rise in credit cost of ¥113.9 billion to ¥220.4 billion, as a result of a decline in the quality of loan assets accompanying the deterioration in the operating environment for borrowers and the emergence of credit cost related to exposures to certain overseas financial institutions.

Total credit cost, including the provision for general reserve for possible loan losses and gains on collection of written-off loans, rose ¥109.9 billion to ¥224.1 billion.

Ordinary Profit

As a result of the foregoing, ordinary profit decreased ¥35.7 billion year on year to ¥122.1 billion.

Extraordinary Gains (Losses)

Net extraordinary losses were ¥1.2 billion, an improvement of ¥1.4 billion from the loss recorded in the previous year.

Net Income

Income taxes prior to the application of tax-effect accounting were ¥7.1 billion, and deferred income taxes under tax-effect accounting were ¥33.3 billion. As a result, net income increased ¥16.5 billion to ¥80.3 billion year on year.

◆ Ordinary Profit and Net Income

Six months ended September 30, 2008 and 2007, and year ended March 31, 2008

	Millions of yen		
	Six months ended September 30	2007	Year ended March 31
	2008	2007	2008
Banking profit (before provision for general reserve for possible loan losses)	¥ 378,486	¥ 390,904	¥ 819,691
Provision for general reserve for possible loan losses (A)	(3,729)	(7,784)	—
Banking profit	374,757	383,119	819,691
Nonrecurring gains (losses)	(252,649)	(225,270)	(308,952)
Credit cost (B)	(220,414)	(106,441)	(155,011)
Gains (losses) on stocks	(17,184)	(103,816)	(141,002)
Gains on sale of stocks	5,412	8,224	26,718
Losses on sale of stocks	(587)	(546)	(2,311)
Losses on devaluation of stocks	(22,009)	(111,494)	(165,409)
Others	(15,049)	(15,012)	(12,937)
Ordinary profit	122,108	157,849	510,739
Extraordinary gains (losses)	(1,228)	(2,639)	(3,284)
Gains (losses) on disposal of fixed assets	(60)	450	(5,849)
Losses on impairment of fixed assets	(1,168)	(3,095)	(4,700)
Gains on reversal of reserve for possible loan losses (C)	—	—	7,238
Gains on collection of written-off claims (D)	0	6	7
Income taxes:			
Current	(7,152)	(7,210)	(16,031)
Deferred	(33,332)	(84,200)	(285,680)
Net income	¥ 80,394	¥ 63,798	¥ 205,742
Total credit cost (A) + (B) + (C) + (D)	¥(224,143)	¥(114,220)	¥(147,765)
Provision for general reserve for possible loan losses	(3,729)	(7,784)	96,900
Write-off of loans	(119,444)	(59,177)	(121,801)
Provision for specific reserve for possible loan losses	(86,407)	(44,500)	(91,603)
Losses on sales of delinquent loans	(14,563)	(4,703)	(33,209)
Provision for loan loss reserve for specific overseas countries	(0)	1,941	1,941
Gains on collection of written-off claims	0	6	7

3. Assets, Liabilities and Net Assets

Total Assets

SMBC's total assets as of September 30, 2008 were ¥98,159.8 billion on a nonconsolidated basis, a ¥1,873.1 billion decrease

compared with the previous fiscal year-end. This decrease was mainly due to a drop in securities holdings of ¥1,775.7 billion owing to a reduction in the balance of Japanese government bonds as they were sold during downtrends in interest rates.

Total Liabilities

Total liabilities as of September 30, 2008 decreased ¥1,798.8 billion to ¥94,740.9 billion from the previous fiscal year-end. This decline in total liabilities reflected principally a reduction in funding based on the anticipated decline in assets.

Net Assets

Net assets were ¥3,418.8 billion as of September 30, 2008. Of this, stockholders' equity was ¥2,992.2 billion, which consisted of capital

stock of ¥664.9 billion, a capital surplus of ¥1,367.5 billion (includes ¥702.5 billion in "other capital surplus"), and retained earnings of ¥959.7 billion. Valuation and translation adjustments were ¥426.6 billion: net unrealized gains on other securities of ¥474.2 billion, net deferred losses on hedges of ¥69.2 billion and revaluation excess of ¥21.6 billion.

◆ Assets, Liabilities and Net Assets

September 30, 2008 and 2007, and March 31, 2008

	Millions of yen		
	September 30		March 31
	2008	2007	2008
Assets	¥98,159,845	¥94,307,182	¥100,033,020
Securities	20,982,446	19,860,123	22,758,241
Loans and bills discounted	58,541,953	55,025,706	56,957,813
Liabilities	94,740,953	90,450,881	96,539,771
Deposits	66,918,037	66,379,291	66,417,260
Negotiable certificates of deposit	3,225,677	2,462,170	2,965,574
Net assets	3,418,892	3,856,300	3,493,249

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2008 were ¥587.7 billion, which was a decrease of ¥186.0 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, decreased by ¥126.0 billion over the same period, to ¥629.6 billion. This decline is attributable to a decrease in net unrealized gains on stocks due to a deterioration in stock prices in general.

◆ Unrealized Gains (Losses) on Securities

September 30, 2008 and March 31, 2008

	September 30, 2008				March 31, 2008		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥ 7,098	¥ (9,977)	¥ 10,554	¥ 3,455	¥ 17,075	¥ 18,373	¥ 1,298
Stocks of subsidiaries and affiliates	(48,991)	(50,045)	—	48,991	1,054	14,885	13,831
Other securities	629,812	(125,937)	859,499	229,686	755,749	1,030,778	275,029
Stocks	782,453	(153,871)	844,586	62,133	936,324	992,665	56,341
Bonds	(56,468)	73,040	629	57,098	(129,508)	15,579	145,087
Others	(96,172)	(45,105)	14,283	110,455	(51,067)	22,533	73,600
Other money held in trust	(136)	(107)	—	136	(29)	—	29
Total	587,784	(186,065)	870,054	282,269	773,849	1,064,037	290,188
Stocks	733,462	(203,916)	844,586	111,124	937,378	1,007,551	70,172
Bonds	(49,369)	63,063	11,184	60,554	(112,432)	33,952	146,385
Others	(96,308)	(45,212)	14,283	110,591	(51,096)	22,533	73,630

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and beneficiary claims on loan trusts in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks, other than those of subsidiaries and affiliates, are calculated mainly using the average market prices during the final month of the reporting period. The remainder of securities are valued at market prices as of the balance sheet date.
3. Since "Other securities" and "Other money held in trust" are valued at market prices, the figures in the table show 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—AFS securities" had been carried on the balance sheet at market values. From the six months ended September 30, 2008, 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 Standard Board of Japan Practical Issues Task Force No. 25, issued on October 28, 2008). As a result of this accounting change, compared with the former accounting method, "Securities" and "Net unrealized gains on other securities" increased by ¥147,919 million and ¥87,819 million, respectively, and "Deferred tax assets" decreased by ¥60,099 million.