

Sumitomo Mitsui Banking Corporation (Nonconsolidated)

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The following is a summary of SMBC's nonconsolidated financial results for the fiscal year ended March 31, 2015.

1. Operating Results

In fiscal 2014, gross banking profit increased by ¥76.1 billion year-on-year to ¥1,634.3 billion, and expenses (excluding nonrecurring losses) increased by ¥45.5 billion to ¥791.2 billion. As a result, banking profit (before provision for general reserve for possible loan losses) increased by ¥30.6 billion year-on-year to ¥843.1 billion.

Ordinary profit, after the adjustment of banking profit (before provision for general reserve for possible loan losses) for non-recurring items such as credit costs and net gains on stocks, increased by ¥3.5 billion year-on-year to ¥956.0 billion.

Net income, after the adjustment of ordinary profit for extraordinary gains and losses, and income taxes and other taxes, increased by ¥37.8 billion year-on-year to ¥643.0 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥76.1 billion year-on-year to ¥1,634.3 billion. This mainly reflected an increase in gross international profit primarily due to an increase in interest on loans and bills discounted in line with asset growth mainly in Asia and the Americas, and an increase in gains on bonds. On the other hand, gross domestic profit declined mainly due to shrinking loan spreads resulting from intense competition.

Expenses

Expenses (excluding non-recurring losses) increased by ¥45.5 billion year-on-year to ¥791.2 billion. This was mainly due to an increase in expenditures aimed at enhancing top-line growth such as to strengthen the overseas business, and also by the impact of an increase in the consumption tax rate.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased by ¥30.6 billion year-on-year to ¥843.1 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2015 (A)	2014 (B)	Increase (decrease) (A) - (B)
Gross banking profit	¥ 1,634,284	¥ 1,558,184	¥ 76,100
[Gross domestic banking profit]	[1,097,724]	[1,112,008]	[(14,284)]
[Gross international banking profit]	[536,560]	[446,175]	[90,385]
Net interest income	1,121,428	1,064,906	56,522
Trust fees	1,872	1,972	(100)
Net fees and commissions	349,979	357,351	(7,372)
Net trading income	12,799	36,779	(23,980)
Net other operating income	148,204	97,172	51,032
[Gains (losses) on bonds]	[47,899]	[734]	[47,165]
Expenses (excluding nonrecurring losses)	(791,211)	(745,745)	(45,466)
Personnel expenses	(312,580)	(283,236)	(29,344)
Nonpersonnel expenses	(435,771)	(425,140)	(10,631)
Taxes	(42,859)	(37,368)	(5,491)
Banking profit (before provision for general reserve for possible loan losses)	843,073	812,438	30,635
[Gains (losses) on bonds]	[47,899]	[734]	[47,165]
Provision for general reserve for possible loan losses	—	—	—
Banking profit	843,073	812,438	30,635

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2015	Billions of yen					Total
	Wholesale Banking Unit	Retail Banking Unit	International Banking Unit	Treasury Unit	Head Office Account	
Banking profit (before provision for general reserve for possible loan losses)	¥348.6	¥36.7	¥238.7	¥328.1	¥(109.0)	¥843.1
Year-on-year increase (decrease)	(11.7)	(33.5)	9.3	27.4	39.2	30.7

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. "Head Office Account" 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 Gains (Losses) (Credit Costs, etc.)

Nonrecurring gains were ¥112.9 billion, a deterioration of ¥27.2 billion compared with the previous fiscal year. This was primarily due to declines in gains on reversal of reserve for possible loan losses and gains on stocks, although other non-recurring gains increased mainly due to decline in provision of reserve for possible losses on investments.

Total credit cost—the total of provision for general reserve for possible loan losses, credit costs, gains on reversal of reserve for possible loan losses and recoveries of written-off claims—was a net reversal of ¥80.1 billion, ¥43.8 billion lower in terms of gains compared with the previous year.

Ordinary Profit

As a result, ordinary profit increased by ¥3.5 billion year-on-year to ¥956.0 billion.

Extraordinary Gains (Losses)

Extraordinary losses increased by ¥2.3 billion year-on-year to ¥8.3 billion.

Net Income

Net income, after the adjustment of ordinary profit for extraordinary gains and losses and income taxes, increased by ¥37.8 billion year-on-year to ¥643.0 billion.

Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2015 (A)	2014 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses).....	¥ 843,073	¥812,438	¥ 30,635
Provision for general reserve for possible loan losses (A).....	—	—	—
Banking profit	843,073	812,438	30,635
Nonrecurring gains (losses)	112,919	140,078	(27,159)
Credit costs (B).....	(5,193)	(8,945)	3,752
Gains on reversal of reserve for possible loan losses (C).....	79,009	132,784	(53,775)
Recoveries of written-off claims (D).....	6,326	82	6,244
Net gains (losses) on stocks.....	52,582	106,410	(53,828)
Others	(19,805)	(90,252)	70,447
Ordinary profit	955,992	952,516	3,476
Extraordinary gains (losses).....	(8,344)	(6,033)	(2,311)
Losses on disposal of fixed assets	(4,911)	(3,604)	(1,307)
Losses on impairment of fixed assets.....	(3,432)	(2,428)	(1,004)
Income taxes—current.....	(224,845)	(182,869)	(41,976)
Income taxes—deferred	(79,787)	(158,358)	78,571
Net income	¥ 643,015	¥605,255	¥ 37,760
Total credit cost (A) + (B) + (C) + (D)	¥ 80,142	¥123,920	¥(43,778)
Provision for general reserve for possible loan losses	91,528	66,627	24,901
Write-off of loans	(417)	(4,520)	4,103
Provision for specific reserve for possible loan losses.....	(12,547)	66,899	(79,446)
Losses on sales of delinquent loans	(4,776)	(4,425)	(351)
Provision for loan loss reserve for specific overseas countries.....	28	(742)	770
Recoveries of written-off claims	6,326	82	6,244

3. Assets, Liabilities and Net Assets

Assets

Total assets as of March 31, 2015 increased by ¥18,757.6 billion year-on-year to ¥154,724.1 billion.

Cash and due from banks increased by ¥6,875.4 billion to ¥37,008.7 billion.

Loans and bills discounted totaled ¥68,274.3 billion, a year-on-year increase of ¥4,903.6 billion, as steady results in Japan and increases primarily in Asia and the Americas.

Securities increased by ¥2,667.7 billion year-on-year to ¥29,985.3 billion, mainly as a result of an increase in unrealized gains on stocks.

Liabilities

Liabilities as of March 31, 2015 increased by ¥17,836.3 billion year-on-year to ¥146,725.4 billion. Deposits increased by ¥7,200.4 billion to ¥91,337.7 billion due to increases both in Japan and overseas. Negotiable certificates of deposit increased by ¥1.6 billion to ¥14,022.1 billion.

Net Assets

Net assets as of March 31, 2015 totaled ¥7,998.7 billion.

Of this amount, stockholders' equity was ¥6,369.5 billion.

Valuation and translation adjustments were ¥1,629.3 billion.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2015 (A)	2014 (B)	Increase (decrease) (A) – (B)
Assets.....	¥154,724,079	¥135,966,434	¥18,757,645
Cash and due from banks	37,008,665	30,133,257	6,875,408
Loans and bills discounted.....	68,274,308	63,370,678	4,903,630
Securities.....	29,985,267	27,317,549	2,667,718
Liabilities.....	146,725,363	128,889,073	17,836,290
Deposits.....	91,337,714	84,137,339	7,200,375
Negotiable certificates of deposit.....	14,022,064	14,020,505	1,559
Net assets	7,998,715	7,077,360	921,355
Stockholders' equity.....	6,369,453	6,179,502	189,951
Valuation and translation adjustments	1,629,261	897,858	731,403

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2015 increased by ¥1,109.2 billion year-on-year to ¥2,354.7 billion, mainly as a result of an increase in unrealized gains on stocks reflecting rising stock prices.

Unrealized Gains (Losses) on Securities

	Millions of yen						
	2015					2014	
March 31	Non-consolidated balance sheet amount	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Non-consolidated balance sheet amount	Net unrealized gains (losses) (B)
Held-to-maturity securities.....	¥ 3,352,592	¥ 20,454	¥ (12,661)	¥ 20,454	¥ —	¥ 4,436,939	¥ 33,115
Stocks of subsidiaries and affiliates...	3,414,839	(58,526)	13,895	22,352	80,878	3,148,478	(72,421)
Other securities	23,774,009	2,392,781	1,108,002	2,436,529	43,747	20,288,361	1,284,779
Stocks.....	3,970,914	1,989,713	880,623	2,007,929	18,216	3,118,385	1,109,090
Bonds	13,036,709	45,868	(14,125)	56,548	10,680	11,831,122	59,993
JGBs	10,687,062	11,131	(9,753)	16,812	5,680	9,491,777	20,884
Others.....	6,766,385	357,200	241,505	372,050	14,850	5,338,853	115,695
Foreign bonds.....	4,238,647	30,320	52,667	42,891	12,571	3,178,906	(22,347)
Other money held in trust.....	—	—	—	—	—	2,060	—
Total	30,541,441	2,354,709	1,109,235	2,479,335	124,626	27,875,841	1,245,474
Stocks.....	5,180,246	1,986,857	882,490	2,016,376	29,519	4,287,847	1,104,367
Bonds	16,389,301	66,322	(26,787)	77,002	10,680	16,268,062	93,109
Others.....	8,971,892	301,529	253,532	385,955	84,426	7,319,931	47,997

- 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 trusts in "Monetary claims bought," etc.
2. Unrealized gains (losses) on stocks (excluding stocks of subsidiaries and affiliates) (including foreign stocks) are mainly 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.
- Net unrealized gains (losses) on other securities, as of March 31, 2015 and 2014, included gains of ¥29,870 million and ¥17,031 million, respectively, which were recognized in the statements of income by applying fair value hedge accounting. As a result, the amounts recorded in net assets, as of March 31, 2015 and 2014, were reduced by ¥29,870 million and ¥17,031 million, respectively.
4. Floating-rate Japanese government bonds which SMBC held as "Other securities" are carried on the balance sheet at their reasonably estimated amounts in accordance with the "Practical Solution on Measurement of Fair Value for Financial Assets" (ASBJ Practical Issues Task Force No. 25).