

(10) Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheet

1. Securities included stocks of unconsolidated subsidiaries and affiliates of ¥463,939 million and investments of ¥6,025 million.
2. Japanese government bonds and other securities as a sub-account of Securities include ¥33,312 million of unsecured loan securities for which borrowers have the right to sell or pledge.

As for the unsecured borrowed securities for which SMBC has the right to sell or pledge and the securities which SMBC purchased under resale agreements and borrowed with cash collateral, that are permitted to be sold or pledged without restrictions, ¥1,717,335 million of securities are pledged, and ¥188,715 million of securities are held in hand as of the consolidated balance sheet date.
3. Bankrupt loans and Non-accrual loans were ¥292,088 million and ¥1,019,352 million, respectively.

“Bankrupt loans” are loans, after write-off, to legally bankrupt borrowers as defined in Article 96-1-3 and 96-1-4 of the Enforcement Ordinance No.97 of the Japanese Corporate Tax Law (issued in 1965) and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

“Non-accrual loans” are loans on which accrued interest income is not recognized, excluding “Bankrupt loans” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.
4. Past due loans (3 months or more) totaled ¥36,162 million.

“Past due loans (3 months or more)” are loans on which the principal or interest is past due for three months or more, excluding “Bankrupt loans” and “Non-accrual loans.”
5. Restructured loans totaled ¥238,713 million.

“Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers’ recovery from financial difficulties, excluding “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more).”
6. The total amount of Bankrupt loans, Non-accrual loans, Past due loans (3 months or more) and Restructured loans was ¥1,586,317 million. The amounts of loans presented in Notes 3 to 6 above are the amounts before deduction of reserve for possible loan losses.
7. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24. SMFG’s banking subsidiaries have rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face value was ¥686,407 million.

8. Assets pledged as collateral were as follows:

(Millions of yen)

Assets pledged as collateral	
Cash and due from banks	¥ 339,948
Call loans and bills bought	259,186
Monetary claims bought	2,020
Trading assets	610,146
Securities	8,049,756
Loans and bills discounted	3,062,015
Lease receivables and investment assets	41,993
Tangible fixed assets	11,153
Other assets (installment account receivable etc.)	2,165
Liabilities corresponding to assets pledged as collateral	
Deposits	¥ 27,060
Call money and bills sold	1,266,265
Payables under repurchase agreements	778,993
Payables under securities lending transactions	6,332,775
Trading liabilities	594,121
Borrowed money	1,970,209
Other liabilities	4,587
Acceptances and guarantees	134,530

In addition, Cash and due from banks of ¥19,380 million, Trading assets of ¥52,843 million, Securities of ¥11,172,095 million and Loans and bills discounted of ¥284,157 million were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Other assets include surety deposits and intangible of ¥85,892 million and variation margins of futures markets of ¥6,252 million.

9. Commitment line contracts on overdrafts and loans are agreements to lend to customers up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments was ¥39,983,526 million and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time was ¥34,012,566 million. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments include clauses under which SMBC and other consolidated subsidiaries can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC and other consolidated subsidiaries need to secure claims, or other events occur. In addition, SMBC and other consolidated subsidiaries may request the customers to pledge collateral such as premises and securities at the time of the contracts, and take necessary measures such as monitoring customers' financial positions, revising contracts when need arises and securing claims after contracts are made.

10. SMBC and another consolidated subsidiary revaluated their own land for business activities in accordance with the "Law Concerning Land Revaluation" (the "Law") effective March 31, 1998 and the law concerning amendment of the Law effective March 31, 2001. The income taxes corresponding to the net unrealized gains are deferred and reported in "Liabilities" as "Deferred tax liabilities for land revaluation," and the net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

A certain affiliate also revaluated its own land for business activities in accordance with the Law. The net unrealized gains, net of deferred taxes, are reported as "Land revaluation excess" in "Net assets."

Date of the revaluation

SMBC:

March 31, 1998 and March 31, 2002

Another consolidated subsidiary and an affiliate:

March 31, 1999 and March 31, 2002

Method of revaluation (stipulated in Article 3-3 of the Law)

SMBC:

Fair values were determined by applying appropriate adjustments for land shape and timing of appraisal to the values stipulated in Article 2-3, 2-4 or 2-5 of the Enforcement Ordinance of the Law Concerning Land Revaluation (the Enforcement Ordinance No.119) effective March 31, 1998.

Another consolidated subsidiary and an affiliate:

Fair values were determined based on the values stipulated in Article 2-3 and 2-5 of the Enforcement Ordinance No.119.

11. Accumulated depreciation on tangible fixed assets amounted to ¥616,324 million.
12. Deferred gain on fixed assets deductible for tax purposes amounted to ¥66,691 million.
13. The balance of subordinated debt included in “Borrowed money” was ¥436,000 million.
14. The balance of subordinated bonds included in “Bonds” was ¥2,281,687 million.
15. The amount guaranteed by banking subsidiaries to privately-placed bonds (stipulated by Article 2-3 of Financial Instruments and Exchange Law) in “Securities” was ¥2,304,890 million.