

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, 2007.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) for fiscal 2006 decreased ¥224.9 billion to ¥740.6 billion year on year, as a result of a ¥207.5 billion decrease in gross banking profit to ¥1,344.4 billion, and a ¥17.4 billion increase in expenses (excluding nonrecurring losses) to ¥603.8 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 gains on stocks, amounted to ¥573.3 billion, a ¥147.6 billion decrease year on year.

After adjusting ordinary profit for extraordinary gains (losses) and income taxes, net income was ¥315.7 billion, a year-on-year decrease of ¥203.7 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit for fiscal 2006 decreased ¥207.5 billion year on year, to ¥1,344.4 billion. This was primarily attributable to recording of "net other operating expenses" compared to the substantial "net other operating income" of fiscal 2005 as JGBs and other bond holdings were scaled

back to reduce the risk exposure of our portfolio in light of domestic and overseas interest rate trends. In addition, profits fell in the Treasury Unit due to a decline in yen-denominated banking transactions and trading profits in line with its scaling back of positions and reduction in interest-rate spreads.

Expenses

Expenses (excluding nonrecurring losses) increased ¥17.4 billion year on year, to ¥603.8 billion. This increase is mainly attributable to higher expenses incurred in enhancing its marketing channels to improve customer satisfaction, as well as aggressive investment in priority business fields such as loans to small and medium-sized corporations, which more than offset SMBC's continued efforts to cut costs in existing operations through rationalization of administrative systems.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased ¥224.9 billion year on year, to ¥740.6 billion.

Banking Profit

		Millions of yen	
Year ended March 31	2007 (A)	2006 (B)	Increase (decrease) (A) – (B)
Gross banking profit	¥1,344,490	¥1,552,033	¥(207,543)
[Gross domestic banking profit]	[1,149,941]	[1,266,488]	[(116,547)]
[Gross international banking profit]	[194,548]	[285,545]	[(90,997)]
Net interest income	937,452	954,544	(17,092)
Trust fees	3,482	8,626	(5,144)
Net fees and commissions	353,416	366,675	(13,259)
Net trading income	101,620	11,937	89,683
Net other operating income (expenses)	(51,482)	210,248	(261,730)
[Gross banking profit (excluding gains (losses) on bonds)]	[1,456,903]	[1,562,354]	[(105,451)]
Expenses (excluding nonrecurring losses)	(603,888)	(586,459)	(17,429)
Personnel expenses	(190,630)	(192,359)	1,729
Nonpersonnel expenses	(378,240)	(360,720)	(17,520)
Taxes	(35,017)	(33,379)	(1,638)
Banking profit (before provision for general reserve for possible loan losses)....	740,601	965,573	(224,972)
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[853,015]	[975,894]	[(122,879)]
Provision for general reserve for possible loan losses	41,728	(154,980)	196,708
Banking profit	782,330	810,593	(28,263)

<Reference>

Banking Profit by Business Unit

		Billions of yen					
Year ended March 31, 2007		Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others
Banking profit (before provision for general reserve for possible loan losses)		¥161.5	¥420.1	¥158.3	¥74.7	¥ 34.0	¥(108.0)
Year-on-year increase (decrease)		(9.9)	(82.8)	(12.0)	6.1	(167.8)	41.4
							(225.0)

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 ¥209.0 billion, a year-on-year increase of ¥119.3 billion. This is mainly attributable to a provision for reserve for possible losses on investments made for affiliates, resulting in a loss of ¥88.4 billion in “others” under nonrecurring losses, a ¥79.8 billion increase in loss over the previous year.

Total credit cost, which is the combined total of credit cost of ¥131.6 billion recorded under “Nonrecurring gains (losses),” provision for general reserve for possible loan losses, and gains on collection of written-off claims, was ¥89.4 billion, a year-on-year decrease of ¥141.4 billion. This decline is mainly attributable to progress in corporate rehabilitation programs and decreases in provision ratios from improvements in loan asset quality.

Ordinary Profit

As a result of the foregoing, ordinary profit totaled ¥573.3 billion, a decrease of ¥147.6 billion from the previous term.

Extraordinary Gains

Net extraordinary gains amounted to ¥13.6 billion, a year-on-year decrease of ¥12.1 billion.

Net Income

Current income taxes amounted to ¥16.5 billion, and deferred income taxes amounted to ¥254.6 billion. As a result, net income decreased ¥203.7 billion to ¥315.7 billion year on year.

Ordinary Profit and Net Income

Millions of yen			
Year ended March 31	2007 (A)	2006 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses)	¥740,601	¥ 965,573	¥(224,972)
Provision for general reserve for possible loan losses (A)	41,728	(154,980)	196,708
Banking profit	782,330	810,593	(28,263)
Nonrecurring gains (losses)	(209,017)	(89,659)	(119,358)
Credit cost (B)	(131,676)	(106,560)	(25,116)
Net gains on stocks	11,098	25,460	(14,362)
Gains on sale of stocks	50,204	70,085	(19,881)
Losses on sale of stocks	(546)	(13,367)	12,821
Losses on devaluation of stocks	(38,559)	(31,257)	(7,302)
Others	(88,439)	(8,559)	(79,880)
Ordinary profit	573,313	720,933	(147,620)
Extraordinary gains	13,615	25,739	(12,124)
Gains on disposal of premises and equipment	—	1,457	(1,457)
Losses on disposal of fixed assets	(1,680)	—	(1,680)
Losses on impairment of fixed assets	(3,680)	(6,300)	2,620
Gains on collection of written-off claims (C)	455	30,605	(30,150)
Gains on return of securities from retirement benefits trust	36,330	—	36,330
Losses on liquidation of subsidiary	(17,809)	—	(17,809)
Income taxes:			
Current	(16,507)	(13,512)	(2,995)
Deferred	(254,680)	(213,639)	(41,041)
Net income	¥315,740	¥ 519,520	¥(203,780)
Total credit cost (A) + (B) + (C)	¥ (89,491)	¥(230,935)	¥ 141,444
Provision for general reserve for possible loan losses	41,728	(154,980)	196,708
Write-off of loans	(50,468)	(12,650)	(37,818)
Provision for specific reserve for possible loan losses	(44,358)	(15,825)	(28,533)
Losses on sales of delinquent loans	(37,262)	(79,659)	42,397
Provision for loan loss reserve for specific overseas countries	412	1,575	(1,163)
Gains on collection of written-off claims	455	30,605	(30,150)

3. Assets, Liabilities and Net Assets

Assets

SMBC's total assets as of March 31, 2007 stood at ¥91,537.2 billion on a nonconsolidated basis, a ¥5,906.2 billion decrease compared with the previous fiscal year-end. Factors behind this decrease in total assets include 1) a rise in the term-end balance of loans of ¥1,898.8 billion compared with the previous term-end, due to an increase in overseas lending to companies with high credit ratings and overseas project finance; 2) a decrease in the value of SMBC's securities holdings of ¥5,141.6 billion, as a result of reducing its risk exposure by scaling back bond portfolio in light of interest-rate trends inside and outside Japan.

Liabilities

Liabilities as of March 31, 2007 decreased ¥6,264.3 billion

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2007 (A)	2006 (B)	Increase (decrease) (A) – (B)
Assets.....	¥91,537,228	¥97,443,428	¥(5,906,200)
Securities	20,060,873	25,202,541	(5,141,668)
Loans and bills discounted.....	53,756,440	51,857,559	1,898,881
Liabilities.....	87,544,344	93,808,652	(6,264,308)
Deposits	66,235,002	65,070,784	1,164,218
Negotiable certificates of deposit	2,574,335	3,151,382	(577,047)
Net Assets	3,992,884	3,634,776	358,108

Note: From March 31, 2007, SMBC has 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). Minority interests are included in net assets with an application of these standards.

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2007 amounted to ¥1,828.1 billion, which is an increase of ¥274.8 billion from the previous fiscal year-end. Net unrealized gains on other securities including "other money held

in trust," changes in which are directly credited to net assets, increased by ¥516.7 billion over the same period, to ¥1,833.2 billion. The increase in unrealized gains on other securities resulted mainly from an increase in unrealized gains on stocks and a decrease in unrealized losses on bonds.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen							
	2007				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.....	¥ (13,064)	¥ 17,718	¥ 200	¥ 13,265	¥ (30,782)	¥ 577	¥ 31,359	
Stocks of subsidiaries and affiliates	7,958	(259,617)	85,505	77,547	267,575	270,285	2,710	
Other securities	1,832,891	516,685	2,028,694	195,802	1,316,206	1,695,589	379,383	
Stocks	1,978,749	346,345	1,990,476	11,727	1,632,404	1,649,881	17,476	
Bonds	(151,444)	130,810	748	152,193	(282,254)	727	282,981	
Others	5,587	39,530	37,469	31,882	(33,943)	44,980	78,924	
Other money held in trust.....	322	113	322	—	209	209	—	
Total	1,828,107	274,899	2,114,723	286,615	1,553,208	1,966,661	413,453	
Stocks	1,986,707	86,728	2,075,981	89,274	1,899,979	1,920,166	20,186	
Bonds	(164,690)	148,617	768	165,458	(313,307)	1,033	314,341	
Others	6,090	39,553	37,972	31,882	(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 beneficiary claims on loan trust and commodity investment trust in "Commercial paper and other debt purchased."
2. Unrealized gains (losses) on stocks (excluding stocks of subsidiaries and affiliates) are calculated using the average market price during the final month of the interim 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 on other securities" as of March 31, 2006 include losses of ¥3,193 million that were recognized in the income statement by applying fair value hedge accounting, which are included in the amount to be directly included in stockholders' equity.