



# Sumitomo Mitsui Banking Corporation (Nonconsolidated)

This section summarizes SMFG's principal financial indicators for the fiscal years ended March 31, 2008 and 2007, on a nonconsolidated basis.

## 1. Operating Results

Gross banking profit in fiscal 2007 increased ¥140.2 billion from the previous year, to ¥1,484.7 billion, and expenses (excluding nonrecurring losses) rose ¥61.2 billion, to ¥665.0 billion. As a consequence, banking profit (before provision for general reserve for possible loan losses) expanded ¥79.0 billion, to ¥819.6 billion.

Ordinary profit, calculated by adjusting banking profit (before provision for general reserve for possible loan losses) for non-recurring items, such as total credit cost and gains on stocks, declined ¥62.5 billion, to ¥510.7 billion.

After adjusting ordinary profit for extraordinary gains (losses) and income taxes, net income amounted to ¥205.7 billion, representing a decline of ¥109.9 billion from the previous fiscal year.

## 2. Income Analysis

### Gross Banking Profit

Gross banking profit increased ¥140.2 billion over the previous fiscal year, to ¥1,484.7 billion. The principal reason for this increase was an improvement in net trading income. Although in the previous year SMBC reported losses on the sale of bonds from its portfolio, as it contracted its holdings to reduce risk, during the

fiscal year under review, SMBC managed its portfolio to take advantage of movements in interest rates in Japan and overseas and reported a major increase in net trading income.

### Expenses

Expenses (excluding nonrecurring losses) increased ¥61.2 billion, to ¥665.0 billion. Although the bank continued to implement measures to improve efficiency in existing business activities and conducted other activities to reduce costs, the principal cause of this increase in expenses was a higher level of expenditures to increase human resources in strategic businesses and overseas offices as well as expenses used for increasing business promotion, developing new products, and other activities directed at business expansion.

### Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased ¥79.0 billion from the previous fiscal year, to ¥819.6 billion.

### ◆Banking Profit

Year ended March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Gross banking profit .....	¥ 1,484,783	¥ 1,344,490	¥ 140,293
[Gross domestic banking profit] .....	1,198,285	[1,149,941]	48,344
[Gross international banking profit] .....	286,497	[194,548]	91,949
Net interest income .....	970,818	937,452	33,366
Trust fees .....	3,710	3,482	228
Net fees and commissions .....	332,362	353,416	(21,054)
Net trading income .....	440,985	101,620	339,365
Net other operating income (expenses) .....	(263,093)	(51,482)	(211,611)
[Gross banking profit (excluding gains (losses) on bonds)] .....	[1,514,841]	[1,456,903]	[57,938]
Expenses (excluding nonrecurring losses) .....	(665,091)	(603,888)	(61,203)
Personnel expenses .....	(211,681)	(190,630)	(21,051)
Nonpersonnel expenses .....	(413,317)	(378,240)	(35,077)
Taxes .....	(40,092)	(35,017)	(5,075)
Banking profit (before provision for general reserve for possible loan losses) .....	819,691	740,601	79,090
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)] .....	[849,750]	[853,015]	[(3,265)]
Provision for general reserve for possible loan losses .....	—	41,728	(41,728)
Banking profit .....	819,691	782,330	37,361

For reference:

### ◆Banking Profit by Business Unit

Year ended March 31, 2008	Billions of yen						Total
	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) .....	¥169.3	¥421.2	¥155.6	¥81.5	¥127.8	¥(135.7)	¥819.6
Year-on-year increase (decrease) .....	+7.8	+1.1	(2.7)	+6.8	+93.8	(27.7)	+79.1

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" includes (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.

#### Nonrecurring Gains (Losses) (Credit Cost, etc.)

Nonrecurring losses amounted to ¥308.9 billion, which was ¥99.9 billion higher than for the previous fiscal year. Although the item "Others" among nonrecurring losses showed an improvement of ¥75.5 billion from the previous fiscal year due to a substantial reduction in the provision to the general reserve for possible losses on investments, the bank reported write-offs related to equities and others as a result of the decline in stock prices, and net gains on stocks declined ¥152.1 billion, to ¥141.0 billion.

Please note that total credit cost—which is the combined total of credit cost of ¥155.0 billion recorded under "Nonrecurring gains (losses)," the provision for general reserve for possible loan losses, and gains on the collection of written-off claims—amounted to ¥147.7 billion, which was ¥58.2 billion higher than in the previous fiscal year.

#### Ordinary Profit

As a result of the foregoing, ordinary profit totaled ¥510.7 billion, ¥62.5 billion lower than in the previous fiscal year.

#### Extraordinary Gains (Losses)

Net extraordinary losses amounted to ¥3.2 billion, which represented a deterioration of ¥16.8 billion from the amount of extraordinary gains reported in the prior year.

#### Net Income

Current income taxes amounted to ¥16.0 billion, and deferred income taxes were ¥285.6 billion. As a result, net income decreased ¥109.9 billion, to ¥205.7 billion.

### ◆ Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses) .....	¥ 819,691	¥ 740,601	¥ 79,090
Provision for general reserve for possible loan losses (A) .....	—	41,728	(41,728)
Banking profit .....	819,691	782,330	37,361
Nonrecurring gains (losses) .....	(308,952)	(209,017)	(99,935)
Credit cost (B) .....	(155,011)	(131,676)	(23,335)
Net gains on stocks .....	(141,002)	11,098	(152,100)
Gains on sale of stocks .....	26,718	50,204	(23,486)
Losses on sale of stocks .....	(2,311)	(546)	(1,765)
Losses on devaluation of stocks .....	(165,409)	(38,559)	(126,850)
Others .....	(12,937)	(88,439)	75,502
Ordinary profit .....	510,739	573,313	(62,574)
Extraordinary gains (losses) .....	(3,284)	13,615	(16,899)
Losses on disposal of fixed assets .....	(5,849)	(1,680)	(4,169)
Losses on impairment of fixed assets .....	(4,700)	(3,680)	(1,020)
Reversal of reserve for possible loan losses (C) .....	7,238	—	7,238
Gains on collection of written-off claims (D) .....	7	455	(448)
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 .....	(16,031)	(16,507)	476
Deferred .....	(285,680)	(254,680)	(31,000)
Net income .....	¥ 205,742	¥ 315,740	¥(109,998)
Total credit cost (A) + (B) + (C) + (D) .....	¥(147,765)	¥ (89,491)	¥ (58,274)
Provision for general reserve for possible loan losses .....	96,900	41,728	55,172
Write-off of loans .....	(121,801)	(50,468)	(71,333)
Provision for specific reserve for possible loan losses .....	(91,603)	(44,358)	(47,245)
Losses on sales of delinquent loans .....	(33,209)	(37,262)	4,053
Provision for loan loss reserve for specific overseas countries .....	1,941	412	1,529
Gains on collection of written-off claims .....	7	455	(448)

### 3. Assets, Liabilities and Net Assets

#### Assets

SMBC's assets as of March 31, 2008, were ¥100,033.0 billion, which was ¥8,495.7 billion higher than at March 31, 2007. The principal reasons for this rise in assets were an increase in securities of ¥2,697.3 billion and an increase in loans outstanding of ¥3,201.3 billion, mainly in loans made in overseas markets. In the previous fiscal year, the bank took steps to improve its asset portfolio by reducing the volume of interest rate risk. During the fiscal year under review, the bank adopted a policy of restoring its risk volume within the scope of controllable levels, thus leading to a higher balance of assets at fiscal year-end.

In addition, the balance of problem assets based on the Financial Reconstruction Law rose ¥65.2 billion from the end of the previous fiscal year, to ¥803.9 billion. The principal factors leading to this increase were a rise in subprime loan related assets that required provisions for possible loan losses and the deterioration of the operating and financial positions of certain obligors, which led to a decline in their obligor grades. However, the problem asset ratio remained at a relatively low 1.24%.

#### Liabilities

Liabilities as of March 31, 2008, amounted to ¥96,539.7 billion, representing an increase of ¥8,995.4 billion from the previous fiscal year-end. This rise was primarily due to the increase in funds raised in connection with expansion in the bank's asset portfolio.

#### Net Assets

Net assets at fiscal year-end amounted to ¥3,493.2 billion. Of this total, stockholders' equity amounted to ¥2,927.3 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 ¥894.8 billion in retained earnings.

Valuation and translation adjustments were ¥565.8 billion, which included ¥558.1 billion in net unrealized gains on other securities, ¥13.7 billion in deferred losses on hedges, and ¥21.5 billion in land revaluation excess.

#### ◆Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Assets .....	¥100,033,020	¥91,537,228	¥8,495,792
Securities .....	22,758,241	20,060,873	2,697,368
Loans and bills discounted .....	56,957,813	53,756,440	3,201,373
Liabilities .....	96,539,771	87,544,344	8,995,427
Deposits .....	66,417,260	66,235,002	182,258
Negotiable certificates of deposit .....	2,965,574	2,574,335	391,239
Net Assets .....	3,493,249	3,992,884	(499,635)

#### 4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2008, amounted to ¥773.8 billion, which represented a decrease of ¥1,054.2 billion from the previous fiscal year-end. Net unrealized gains on other securities, including “other money held in

trust”—which is directly credited to net assets—decreased ¥1,077.4 billion, to ¥755.7 billion.

#### ◆Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2008				2007		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities .....	¥ 17,075	¥ 30,139	¥ 18,373	¥ 1,298	¥ (13,064)	¥ 200	¥ 13,265
Stocks of subsidiaries and affiliates .....	1,054	(6,904)	14,885	13,831	7,958	85,505	77,547
Other securities .....	755,749	(1,077,142)	1,030,778	275,029	1,832,891	2,028,694	195,802
Stocks .....	936,324	(1,042,425)	992,665	56,341	1,978,749	1,990,476	11,727
Bonds .....	(129,508)	21,936	15,579	145,087	(151,444)	748	152,193
Others .....	(51,067)	(56,654)	22,533	73,600	5,587	37,469	31,882
Other money held in trust.....	(29)	(351)	—	29	322	322	—
Total .....	773,849	(1,054,258)	1,064,037	290,188	1,828,107	2,114,723	286,615
Stocks .....	937,378	(1,049,329)	1,007,551	70,172	1,986,707	2,075,981	89,274
Bonds .....	(112,432)	52,258	33,952	146,385	(164,690)	768	165,458
Others .....	(51,096)	(57,186)	22,533	73,630	6,090	37,972	31,882

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Cash and due from banks” and “Deposits with banks” as well as beneficiary claims on loan trusts and commodity investment trusts 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 prices during the final month of the respective reporting period. The remainder 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.