

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 2007, the six-month period ended September 30, 2007.

1. Operating Results

Banking profit (before provision for general reserve for possible loan losses) in the first half of fiscal 2007 increased ¥79.2 billion to ¥390.9 billion year on year, as a result of a ¥109.3 billion increase in gross banking profit to ¥718.4 billion, and a ¥30.0 billion increase in expenses (excluding nonrecurring losses) to ¥327.5 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 ¥111.2 billion to ¥157.8 billion.

After adjusting ordinary profit for extraordinary losses, and for income taxes, net income came to ¥63.7 billion, a year-on-year decrease of ¥119.8 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit in the first half of fiscal 2007 increased ¥109.3 billion year on year to ¥718.4 billion.

This was the result of a decline in bond-related losses within the category of "net other operating income (expenses)" due to a preventive reduction in the bond portfolio, combined with an increase in net interest income, thanks mainly to an improvement in the loan/deposit interest margin.

Expenses

Expenses (excluding nonrecurring losses) increased ¥30.0 billion year on year, to ¥327.5 billion. This increase was mainly attributable to higher expenditure on improving user convenience as well as aggressive investment in strategic business fields to strengthen competitiveness.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased ¥79.2 billion year on year, to ¥390.9 billion.

Banking Profit

Six months ended September 30, 2007 and 2006, and year ended March 31, 2007

	Millions of yen		
	Six months ended September 30	2006	Year ended March 31
	2007	2006	2007
Gross banking profit	¥718,492	¥609,120	¥1,344,490
[Gross domestic banking profit]	[601,219]	[540,056]	[1,149,941]
[Gross international banking profit]	[117,272]	[69,064]	[194,548]
Net interest income	477,542	443,810	937,452
Trust fees	2,239	1,407	3,482
Net fees and commissions	157,156	159,486	353,416
Net trading income	103,277	40,125	101,620
Net other operating income (expenses)	(21,723)	(35,709)	(51,482)
[Gross banking profit (excluding gains (losses) on bonds)]	[724,741]	[670,813]	[1,456,903]
Expenses (excluding nonrecurring losses)	(327,587)	(297,511)	(603,888)
Personnel expenses	(107,258)	(96,868)	(190,630)
Nonpersonnel expenses	(200,867)	(183,893)	(378,240)
Taxes	(19,462)	(16,749)	(35,017)
Banking profit (before provision for general reserve for possible loan losses)	390,904	311,609	740,601
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[397,153]	[373,301]	[853,015]
Provision for general reserve for possible loan losses	(7,784)	—	41,728
Banking profit	383,119	311,609	782,330

<Reference>

Banking Profit by Business Unit

Six months ended September 30, 2007

	Billions of yen						
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	Total
Banking profit (losses) (before provision for general reserve for possible loan losses)	¥81.9	¥208.4	¥75.5	¥40.3	¥51.2	¥(66.4)	¥390.9
Year-on-year increase (decrease)	(1.8)	(17.2)	(6.0)	3.4	60.0	40.9	79.3

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 ¥182.7 billion to ¥225.2 billion from the previous year. This was caused principally by: 1) the posting of a ¥103.8 billion loss on stocks, a deterioration of ¥112.5 billion from the gain of ¥8.7 billion recorded in the previous year, due mainly to write-offs of stocks of affiliates totaling ¥111.4 billion (caused by general price deterioration on the stock market), and 2) an increase in credit cost.

Total credit cost showed a year-on-year increase of ¥81.0 billion to ¥114.2 billion, which is the total sum of provision for general reserve for possible loan losses and the abovementioned credit cost in the amount of ¥106.4 billion after deduction of gains on collection of written-off claims. This was due mainly to provisions made for the subprime-related reserve and an unexpected increase in write-offs of loans caused by deteriorating operating conditions for some borrowers.

Ordinary Profit and Net Income

Six months ended September 30, 2007 and 2006, and year ended March 31, 2007

	Millions of yen		
	Six months ended September 30 2007	2006	Year ended March 31 2007
Banking profit (before provision for general reserve for possible loan losses)	¥ 390,904	¥311,609	¥740,601
Provision for general reserve for possible loan losses (A)	(7,784)	—	41,728
Banking profit.....	383,119	311,609	782,330
Nonrecurring gains (losses).....	(225,270)	(42,531)	(209,017)
Credit cost (B).....	(106,441)	(46,701)	(131,676)
Gains (losses) on stocks	(103,816)	8,720	11,098
Gains on sale of stocks	8,224	14,742	50,204
Losses on sale of stocks	(546)	(97)	(546)
Losses on devaluation of stocks	(111,494)	(5,924)	(38,559)
Others.....	(15,012)	(4,550)	(88,439)
Ordinary profit.....	157,849	269,078	573,313
Extraordinary gains (losses)	(2,639)	29,272	13,615
Gains (losses) on disposal of fixed assets	450	(864)	(1,680)
Losses on impairment of fixed assets	(3,095)	(1,457)	(3,680)
Gains on reversal of reserve for possible loan losses (C)	—	13,330	—
Gains on collection of written-off claims (D)	6	137	455
Gains on return of securities from retirement benefits trust.....	—	36,330	36,330
Losses on liquidation of subsidiary	—	(18,203)	(17,809)
Income taxes:			
Current.....	(7,210)	(7,753)	(16,507)
Deferred.....	(84,200)	(106,951)	(254,680)
Net income	¥ 63,798	¥183,646	¥315,740
Total credit cost (A) + (B) + (C) + (D)	¥(114,220)	¥ (33,233)	¥ (89,491)
Provision for general reserve for possible loan losses	(7,784)	19,549	41,728
Write-off of loans	(59,177)	(39,937)	(50,468)
Provision for specific reserve for possible loan losses	(44,500)	(6,265)	(44,358)
Losses on sales of delinquent loans.....	(4,703)	(6,764)	(37,262)
Provision for loan loss reserve for specific overseas countries.....	1,941	46	412
Gains on collection of written-off claims	6	137	455

Ordinary Profit

As a result of the foregoing, ordinary profit decreased ¥111.2 billion year on year to ¥157.8 billion.

Extraordinary Gains (Losses)

Net extraordinary losses amounted to ¥2.6 billion, a deterioration of ¥31.9 billion from the gain of ¥29.3 billion recorded in the previous year.

Net Income

Income taxes prior to the application of tax-effect accounting amounted to ¥7.2 billion, and deferred income taxes under tax-effect accounting amounted to ¥84.2 billion. As a result of the various factors described above, net income decreased ¥119.8 billion to ¥63.7 billion year on year.

3. Assets, Liabilities and Net Assets

Total Assets

SMBC's total assets as of September 30, 2007 stood at ¥94,307.1 billion on a nonconsolidated basis, a ¥2,769.9 billion increase compared with the previous fiscal year-end.

This increase was the result of a growth of ¥1,269.2 billion in the balance of loans and bills discounted, owing to increased lending to customers overseas.

Total Liabilities

Total liabilities as of September 30, 2007 increased ¥2,906.5 billion to ¥90,450.8 billion from the previous fiscal year-end. This was mainly attributable to an increase in fund procurement in line with growth in the bank's assets.

Net Assets

Net assets amounted to ¥3,856.3 billion as of September 30, 2007. Of this, stockholders' equity stood at ¥2,857.6 billion, which consisted of capital stock of ¥664.9 billion, a capital surplus of ¥1,367.5 billion (¥702.5 billion for the remaining portion after deduction of the legal reserve portion), and retained earnings of ¥825.0 billion.

Valuation and translation adjustments amounted to ¥998.6 billion. Of this, net unrealized gains on other securities stood at ¥1,057.0 billion, along with a land revaluation excess of ¥23.9 billion, which more than offset net deferred losses on hedges of ¥82.3 billion.

Assets, Liabilities and Net Assets

September 30, 2007 and 2006, and March 31, 2007

	Millions of yen		
	September 30		March 31
	2007	2006	2007
Assets	¥94,307,182	¥93,149,162	¥91,537,228
Securities	19,860,123	22,047,445	20,060,873
Loans and bills discounted	55,025,706	53,902,477	53,756,440
Liabilities	90,450,881	89,656,772	87,544,344
Deposits	66,379,291	66,147,242	66,235,002
Negotiable certificates of deposit	2,462,170	2,393,807	2,574,335
Net assets	3,856,300	3,492,390	3,992,884

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2007 amounted to ¥1,540.9 billion, which was a decrease of ¥287.1 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 ¥315.4 billion over the same period, to ¥1,517.7 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, 2007 and March 31, 2007

	Millions of yen						
	September 30, 2007				March 31, 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	¥ (9,137)	¥ 3,927	¥ 423	¥ 9,560	¥ (13,064)	¥ 200	¥ 13,265
Stocks of subsidiaries and affiliates	32,329	24,371	34,289	1,959	7,958	85,505	77,547
Other securities	1,517,691	(315,200)	1,767,064	249,373	1,832,891	2,028,694	195,802
Stocks	1,716,282	(262,467)	1,735,100	18,817	1,978,749	1,990,476	11,727
Bonds	(157,704)	(6,260)	969	158,674	(151,444)	748	152,193
Others	(40,886)	(46,473)	30,994	71,881	5,587	37,469	31,882
Other money held in trust	78	(244)	78	—	322	322	—
Total	1,540,962	(287,145)	1,801,855	260,893	1,828,107	2,114,723	286,615
Stocks	1,748,612	(238,095)	1,769,389	20,777	1,986,707	2,075,981	89,274
Bonds	(166,846)	(2,156)	1,388	168,235	(164,690)	768	165,458
Others	(40,803)	(46,893)	31,078	71,881	6,090	37,972	31,882

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and beneficiary claims on loan trust 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 rest of the securities are valued at market prices 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.