

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, 2010.

1. Operating Results

Gross banking profit in fiscal 2009 decreased ¥69.5 billion from the previous fiscal year, to ¥1,455.2 billion, and expenses (excluding nonrecurring losses) declined ¥15.7 billion, to ¥685.7 billion. As a result, banking profit (before provision for general reserve for possible loan losses) decreased ¥53.8 billion, to ¥769.5 billion.

Ordinary profit — banking profit (before provision for general reserve for possible loan losses) adjusted for non-recurring items such as total credit cost and net gains on stocks — increased ¥426.6 billion, to ¥462.7 billion.

After adjustment of ordinary profit for extraordinary losses and income taxes, SMBC posted net income of ¥317.9 billion, a year-on-year increase of ¥619.1 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit decreased ¥69.5 billion year on year, to ¥1,455.2 billion. This was due mainly to a decrease in foreign exchange-related gains resulting from the economic slowdown. This factor more than offset the higher net trading income.

Expenses

Expenses (excluding nonrecurring losses) decreased ¥15.7 billion to ¥685.7 billion, due mainly to more restrained operations in light of the severe overall business environment.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased ¥53.8 billion from the previous fiscal year, to ¥769.5 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Gross banking profit	¥1,455,275	¥1,524,856	¥(69,581)
[Gross domestic banking profit]	[1,117,224]	[1,147,202]	[(29,978)]
[Gross international banking profit]	[338,050]	[377,654]	[(39,604)]
Net interest income	1,046,382	1,018,389	27,993
Trust fees	1,736	2,074	(338)
Net fees and commissions	286,714	293,824	(7,110)
Net trading income	115,356	175,038	(59,682)
Net other operating income	5,085	35,530	(30,445)
[Gross banking profit (excluding gains (losses) on bonds)]	[1,418,005]	[1,498,728]	[(80,723)]
Expenses (excluding nonrecurring losses)	(685,752)	(701,479)	15,727
Personnel expenses	(245,728)	(236,966)	(8,762)
Nonpersonnel expenses	(403,265)	(426,231)	22,966
Taxes	(36,759)	(38,282)	1,523
Banking profit (before provision for general reserve for possible loan losses) ..	769,522	823,377	(53,855)
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[732,252]	[797,248]	[(64,996)]
Provision for general reserve for possible loan losses	9,067	(75,730)	84,797
Banking profit	778,589	747,647	30,942

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2010	Billions of yen						
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Others	Total
Banking profit (before provision for general reserve for possible loan losses)	¥103.0	¥254.2	¥164.0	¥114.6	¥256.5	¥(122.8)	¥769.5
Year-on-year increase (decrease)	(4.6)	(39.7)	19.5	30.6	29.9	(89.6)	(53.9)

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" consist 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 ¥315.8 billion, an improvement of ¥395.7 billion from the previous fiscal year. The main factor was a decrease of ¥210.5 billion in credit cost, to ¥263.8 billion, due to the effects of the government's economic stimulus package and SMBC's business improvement and other measures tailored to each customer's individual circumstances. In addition, SMBC recorded net gain on stocks of ¥3.8 billion versus net losses on stocks of ¥220.4 billion in the previous fiscal year, an improvement of ¥224.2 billion, owing to gains on sale of stocks and a decrease in losses on devaluation of stocks due to the market's recovery.

Total credit cost — the sum of credit cost recorded under "Nonrecurring losses," provision for general reserve for possible loan losses, and gains on recoveries of written-off claims — amounted to ¥254.6 billion, a year-on-year decrease of ¥295.4 billion.

Ordinary Profit

As a result of the foregoing, ordinary profit totaled ¥462.7 billion, ¥426.6 billion higher than in the previous fiscal year.

Extraordinary Gains (Losses)

Extraordinary losses amounted to ¥7.9 billion, a decrease of ¥0.2 billion from the previous year.

Net Income

Current income taxes amounted to ¥44.9 billion, and deferred income taxes were ¥91.7 billion. As a result, net income increased ¥619.1 billion to ¥317.9 billion year on year.

Ordinary Profit and Net Income (Loss)

Year ended March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses)	¥ 769,522	¥ 823,377	¥ (53,855)
Provision for general reserve for possible loan losses (A)	9,067	(75,730)	84,797
Banking profit.....	778,589	747,647	30,942
Nonrecurring gains (losses).....	(315,839)	(711,591)	395,752
Credit cost (B).....	(263,805)	(474,358)	210,553
Net gains (losses) on stocks.....	3,857	(220,429)	224,286
Gains on sale of stocks.....	56,719	7,066	49,653
Losses on sale of stocks.....	(886)	(4,348)	3,462
Losses on devaluation of stocks.....	(51,975)	(223,147)	171,172
Others.....	(55,892)	(16,803)	(39,089)
Ordinary profit.....	462,749	36,055	426,694
Extraordinary gains (losses).....	(7,999)	(8,269)	270
Gains (losses) on disposal of fixed assets.....	2,448	(2,139)	4,587
Losses on impairment of fixed assets.....	(10,525)	(6,138)	(4,387)
Gains on recoveries of written-off claims (C).....	77	8	69
Income taxes:			
Current.....	(44,997)	(23,748)	(21,249)
Deferred.....	(91,757)	(305,154)	213,397
Net income (loss).....	¥ 317,995	¥(301,116)	¥619,111
Total credit cost (A) + (B) + (C).....	¥(254,660)	¥(550,079)	¥295,419
Provision for general reserve for possible loan losses	9,067	(75,730)	84,797
Write-off of loans.....	(102,663)	(231,412)	128,749
Provision for specific reserve for possible loan losses	(92,114)	(182,346)	90,232
Losses on sales of delinquent loans.....	(69,259)	(60,182)	(9,077)
Provision for loan loss reserve for specific overseas countries	232	(417)	649
Gains on recoveries of written-off claims.....	77	8	69

3. Assets, Liabilities and Net Assets

Assets

In spite of efforts to ensure a smooth supply of funds to our customers, SMBC's assets as of March 31, 2010 decreased ¥3,941.8 billion from the previous fiscal year-end, to a total of ¥103,536.3 billion. This was due mainly to a ¥3,622.2 billion year on year decrease in loans and bills discounted, due to the weak borrowing demand in Japan and SMBC's conservative stance on asset operations overseas.

Liabilities

Liabilities as of March 31, 2010 amounted to ¥98,138.4 billion, a decrease of ¥6,793.2 billion from the previous fiscal year-end. This is mainly due to a decrease of ¥4,153.7 billion in payables under securities lending transactions conducted as part of overall funding activities, and the amount declined in line with the decrease in assets.

Net Assets

Net assets at fiscal year-end amounted to ¥5,397.9 billion. Of this total, stockholders' equity amounted to ¥4,949.0 billion, consisting of ¥1,770.9 billion in capital stock, ¥2,473.5 billion in capital surplus (including ¥702.5 billion in other capital surplus), and ¥704.4 billion in retained earnings.

Valuation and translation adjustments were ¥448.9 billion, comprising ¥379.3 billion in net unrealized gains on other securities, ¥48.0 billion in net deferred gains on hedges, and ¥21.5 billion in land revaluation excess.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Assets.....	¥103,536,394	¥107,478,218	¥(3,941,824)
Securities.....	28,536,200	28,000,515	535,685
Loans and bills discounted	56,619,058	60,241,266	(3,622,208)
Liabilities.....	98,138,445	104,931,725	(6,793,280)
Deposits.....	70,457,266	69,499,997	957,269
Negotiable certificates of deposit.....	7,173,373	7,405,710	(232,337)
Net assets.....	5,397,949	2,546,493	2,851,456

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2010 amounted to ¥565.8 billion versus net unrealized losses of ¥18.6 billion in the previous fiscal year-end, an increase of ¥584.5 billion, due mainly to improvements in stocks and

bonds. Net unrealized gains on other securities, including “other money held in trust,” which is directly debited to net assets, increased by ¥564.4 billion from the previous year’s losses, to ¥521.4 billion.

Unrealized Gains (Losses) on Securities

March 31	2010				2009		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 57,903	¥ 30,052	¥ 58,530	¥ 626	¥27,851	¥ 28,155	¥ 304
Stocks of subsidiaries and affiliates....	(13,471)	(9,935)	—	13,471	(3,536)	—	3,536
Other securities	521,377	564,078	738,870	217,493	(42,701)	337,535	380,237
Stocks	371,459	388,004	518,132	146,672	(16,545)	273,058	289,604
Bonds.....	116,145	117,386	123,064	6,918	(1,241)	16,910	18,152
Others	33,772	58,686	97,674	63,901	(24,914)	47,566	72,480
Other money held in trust	62	324	157	95	(262)	—	262
Total	565,872	584,521	797,558	231,686	(18,649)	365,691	384,341
Stocks	365,979	386,061	518,132	152,153	(20,082)	273,058	293,140
Bonds.....	174,049	147,440	181,594	7,545	26,609	45,066	18,456
Others	25,843	51,019	97,831	71,987	(25,176)	47,566	72,743

- 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 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.
Among net unrealized gains (losses) on other securities as of March 31, 2010, ¥105 million that is recognized in the fiscal year’s earnings by applying fair value hedge accounting is not included in net assets.
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 of Financial Assets” (ASBJ Practical Issues Task Force No. 25).
5. “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, partially revised on March 10, 2008) became effective from the fiscal year ending on and after March 31, 2010. SMBC has applied them from the fiscal year ended March 31, 2010.
As a result of this accounting change, compared with the former accounting method, “Monetary claims bought” increased by ¥8,710 million, Bonds in “Securities” increased by ¥46,708 million, Stocks in “Securities” increased by ¥1,217 million, “Net unrealized gains (losses) on other securities” increased by ¥39,714 million, Other securities in “Securities” decreased by ¥604 million, “Deferred tax assets” related to Net unrealized gains (losses) on other securities decreased by ¥27,178 million, and “Reserve for possible loan losses” decreased by ¥29,909 million.