

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, 2011.

1. Operating Results

Gross banking profit in fiscal 2010 increased by ¥76.4 billion from the previous fiscal year to ¥1,531.7 billion, and expenses (excluding nonrecurring losses) rose by ¥13.4 billion to ¥699.1 billion. As a result, banking profit (before provision for general reserve for possible loan losses) increased by ¥63.0 billion to ¥832.5 billion.

Ordinary profit — banking profit (before provision for general reserve for possible loan losses) adjusted for nonrecurring items such as credit cost and net losses on stocks — increased by ¥132.9 billion to ¥595.7 billion.

After adjustment of ordinary profit for extraordinary gains and losses and income taxes, SMBC posted net income of ¥421.1 billion, a year-on-year increase of ¥103.1 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥76.4 billion year on year to ¥1,531.7 billion. This was mainly due to increased gains on bonds by quickly responding to fluctuations in market interest rates, and higher total fees for loan-related services at the International Banking Unit.

Expenses

Expenses (excluding nonrecurring losses) increased by ¥13.4 billion to ¥699.1 billion. This increase was due mainly to costs associated with a bolstering of personnel in strategic business domains and investments made in previous fiscal years in branches and computer systems, which outweighed the benefits of ongoing cost-cutting measures in publicity and advertising expenses and building and maintenance expenses.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) increased by ¥63.0 billion from the previous fiscal year to ¥832.5 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Gross banking profit	¥1,531,759	¥1,455,275	¥ 76,484
[Gross domestic banking profit]	[1,114,329]	[1,117,224]	[(2,895)]
[Gross international banking profit]	[417,429]	[338,050]	[79,379]
Net interest income	967,825	1,046,382	(78,557)
Trust fees	2,299	1,736	563
Net fees and commissions	302,667	286,714	15,953
Net trading income	151,070	115,356	35,714
Net other operating income	107,897	5,085	102,812
[Gross banking profit (excluding gains (losses) on bonds)]	[1,384,638]	[1,418,005]	[(33,367)]
Expenses (excluding nonrecurring losses)	(699,197)	(685,752)	(13,445)
Personnel expenses	(249,842)	(245,728)	(4,114)
Nonpersonnel expenses	(411,471)	(403,265)	(8,206)
Taxes	(37,883)	(36,759)	(1,124)
Banking profit (before provision for general reserve for possible loan losses)	832,562	769,522	63,040
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[685,441]	[732,252]	[(46,811)]
Provision for general reserve for possible loan losses	12,335	9,067	3,268
Banking profit	844,897	778,589	66,308

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2011	Billions of yen						
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Head Office Account	Total
Banking profit (before provision for general reserve for possible loan losses)	¥97.5	¥222.2	¥165.3	¥128.6	¥312.8	¥(93.8)	¥832.6
Year-on-year increase (decrease)	3.6	(24.1)	(3.0)	25.1	56.1	5.4	63.1

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. "Head Office Account" 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 ¥249.1 billion, an improvement of ¥66.6 billion from the previous fiscal year. This was due mainly to a ¥156.1 billion drop in credit cost to ¥107.6 billion, as a result of the tailored efforts to assist certain debtors to improve their businesses and financial conditions, which outweighed the impact of a ¥91.1 billion worsening in net losses on stocks to ¥87.2 billion, due to increased write-offs.

Net total credit cost — the sum of credit cost of ¥107.6 billion recorded under “Nonrecurring losses,” provision for general reserve for possible loan losses, and gains on recoveries of written-off claims — amounted to ¥94.2 billion, a year-on-year decrease of ¥160.3 billion.

Ordinary Profit

As a result of the foregoing, ordinary profit totaled ¥595.7 billion, ¥132.9 billion higher than in the previous fiscal year.

Extraordinary Gains (Losses)

Extraordinary losses amounted to ¥6.8 billion, a decrease of ¥1.1 billion from the previous year.

Net Income

Current income taxes amounted to ¥42.3 billion, and deferred income taxes were ¥125.2 billion. As a result, net income increased by ¥103.1 billion year on year to ¥421.1 billion.

Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses).....	¥832,562	¥ 769,522	¥ 63,040
Provision for general reserve for possible loan losses (A).....	12,335	9,067	3,268
Banking profit.....	844,897	778,589	66,308
Nonrecurring gains (losses).....	(249,193)	(315,839)	66,646
Credit cost (B).....	(107,660)	(263,805)	156,145
Net gains (losses) on stocks.....	(87,285)	3,857	(91,142)
Gains on sale of stocks.....	21,671	56,719	(35,048)
Losses on sale of stocks.....	(1,604)	(886)	(718)
Losses on devaluation of stocks.....	(107,353)	(51,975)	(55,378)
Others.....	(54,247)	(55,892)	1,645
Ordinary profit.....	595,704	462,749	132,955
Extraordinary gains (losses).....	(6,864)	(7,999)	1,135
Gains (losses) on disposal of fixed assets.....	(2,336)	2,448	(4,784)
Losses on impairment of fixed assets.....	(4,288)	(10,525)	6,237
Gains on recoveries of written-off claims (C).....	1,055	77	978
Income taxes:			
Current.....	(42,386)	(44,997)	2,611
Deferred.....	(125,273)	(91,757)	(33,516)
Net income.....	¥421,180	¥ 317,995	¥103,185
Net total credit cost (A) + (B) + (C).....	¥ (94,269)	¥(254,660)	¥160,391
Provision for general reserve for possible loan losses.....	12,335	9,067	3,268
Write-off of loans.....	(70,775)	(102,663)	31,888
Provision for specific reserve for possible loan losses.....	(27,104)	(92,114)	65,010
Losses on sales of delinquent loans.....	(9,693)	(69,259)	59,566
Provision for loan loss reserve for specific overseas countries.....	(87)	232	(319)
Gains on recoveries of written-off claims.....	1,055	77	978

3. Assets, Liabilities and Net Assets

Assets

SMBC's assets as of March 31, 2011 increased by ¥11,948.5 billion from the previous fiscal year-end to a total of ¥115,484.9 billion. This increase was due chiefly to a ¥11,317.2 billion increase in securities due to an increase in the balance of Japanese government bonds held.

Liabilities

Liabilities as of March 31, 2011 amounted to ¥109,925.6 billion, an increase of ¥11,787.1 billion from the previous fiscal year-end. The main reason for the increase in liabilities was a ¥3,579.2 billion increase in deposits due to the rising total value of deposits held by individuals and of corporate deposits in Japan, and increases in fund procurement in the borrowed money and other markets.

Net Assets

Net assets at fiscal year-end amounted to ¥5,559.2 billion. Of this total, stockholders' equity amounted to ¥5,188.2 billion, consisting of ¥1,770.9 billion in capital stock, ¥2,481.2 billion in capital surplus (including ¥710.2 billion in other capital surplus), and ¥935.9 billion in retained earnings.

Valuation and translation adjustments were ¥371.0 billion, comprising ¥229.8 billion in net unrealized gains on other securities, ¥121.1 billion in net deferred gains on hedges, and ¥20.0 billion in land revaluation excess.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Assets.....	¥115,484,907	¥103,536,394	¥11,948,513
Securities.....	39,853,432	28,536,200	11,317,232
Loans and bills discounted.....	55,237,613	56,619,058	(1,381,445)
Liabilities.....	109,925,614	98,138,445	11,787,169
Deposits.....	74,036,469	70,457,266	3,579,203
Negotiable certificates of deposit.....	8,406,816	7,173,373	1,233,443
Net assets	5,559,293	5,397,949	161,344

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2011 amounted to ¥336.6 billion, a decrease of ¥229.2 billion from the previous fiscal year-end, reflecting a decrease in the value of equities and other factors. Of this total, net

unrealized gains on other securities, including “other money held in trust,” which are directly debited to net assets, amounted to ¥305.6 billion, a decrease of ¥215.7 billion from the previous fiscal year-end.

Unrealized Gains (Losses) on Securities

March 31	2011				2010		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 58,930	¥ 1,027	¥ 60,394	¥ 1,463	¥ 57,903	¥ 58,530	¥ 626
Stocks of subsidiaries and affiliates...	(27,948)	(14,477)	521	28,470	(13,471)	—	13,471
Other securities	305,621	(215,756)	662,003	356,382	521,377	738,870	217,493
Stocks.....	275,468	(95,991)	468,639	193,170	371,459	518,132	146,672
Bonds	71,931	(44,214)	99,888	27,956	116,145	123,064	6,918
Others	(41,778)	(75,550)	93,476	135,254	33,772	97,674	63,901
Other money held in trust.....	42	(20)	42	—	62	157	95
Total.....	336,646	(229,226)	722,962	386,315	565,872	797,558	231,686
Stocks.....	261,289	(104,690)	469,161	207,871	365,979	518,132	152,153
Bonds	130,861	(43,188)	160,282	29,420	174,049	181,594	7,545
Others	(55,505)	(81,348)	93,518	149,023	25,843	97,831	71,987

- 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.
- Net unrealized gains (losses) on other securities, as of March 31, 2011 and 2010, included gains of ¥1,153 million and ¥105 million, respectively, which were recognized in the statements of income by applying fair value hedge accounting. As a result, the amounts recorded in net assets, as of March 31, 2011 and 2010, were reduced by ¥1,153 million and ¥105 million, respectively.
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 for Financial Assets” (ASBJ Practical Issues Task Force No. 25).