

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 2010, the six-month period ended September 30, 2010.

1. Operating Results

Gross banking profit in the first half of fiscal 2010 increased by ¥119.2 billion year-on-year to ¥838.5 billion, and expenses (excluding nonrecurring losses) slightly increased year-on-year to ¥345.3 billion. As a consequence, banking profit (before provision for general reserve for possible loan losses) increased by ¥115.6 billion year-on-year to ¥493.2 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 net losses on stocks, increased by ¥245.8 billion year-on-year to ¥392.9 billion.

After adjustment of ordinary profit for extraordinary gains and losses and income taxes, net income increased by ¥238.5 billion year-on-year to ¥351.1 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥119.2 billion year-on-year to ¥838.5 billion. The principal reason was an increase in gains on bonds by quickly responding to fluctuations in the market interest rates.

Expenses

Expenses (excluding nonrecurring losses) slightly increased year-on-year to ¥345.3 billion.

Banking Profit

As a result, in the first half of fiscal 2010, banking profit (before provision for general reserve for possible loan losses) increased by ¥115.6 billion year-on-year to ¥493.2 billion.

Banking Profit

Six months ended September 30, 2010 and 2009, and year ended March 31, 2010

	Millions of yen		
	Six months ended September 30	2009	Year ended March 31
	2010	2009	2010
Gross banking profit	¥838,587	¥719,348	¥1,455,275
[Gross domestic banking profit]	[572,918]	[551,522]	[1,117,224]
[Gross international banking profit]	[265,668]	[167,825]	[338,050]
Net interest income	488,242	517,781	1,046,382
Trust fees	1,025	518	1,736
Net fees and commissions	139,681	130,701	286,714
Net trading income	135,177	107,525	115,356
Net other operating income (expenses)	74,461	(37,178)	5,085
[Gross banking profit (excluding gains (losses) on bonds)]	[687,402]	[680,458]	[1,418,005]
Expenses (excluding nonrecurring losses)	(345,330)	(341,710)	(685,752)
Personnel expenses	(125,137)	(124,114)	(245,728)
Nonpersonnel expenses	(201,250)	(199,802)	(403,265)
Taxes	(18,941)	(17,793)	(36,759)
Banking profit (before provision for general reserve for possible loan losses)	493,256	377,637	769,522
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[342,072]	[338,748]	[732,252]
Provision for general reserve for possible loan losses	4,872	47,647	9,067
Banking profit	498,129	425,285	778,589

<Reference>

Banking Profit by Business Unit

Six months ended September 30, 2010

	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)	¥46.8	¥111.2	¥81.3	¥59.7	¥242.8	¥(48.5)	¥493.2
Year-on-year increase (decrease)	3.8	(5.9)	(3.3)	8.1	84.0	29.0	115.6

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 ¥105.1 billion, a year-on-year improvement of ¥173.0 billion. The principal reason was a reduction in credit cost, reflecting our exhaustive ongoing measures tailored to help borrowers raise their management standards.

Total credit cost — the sum of credit cost of ¥48.7 billion recorded under “Nonrecurring losses,” provision for general reserve for possible loan losses, and gains on recoveries of written-off claims — amounted to ¥43.3 billion, a year-on-year decrease of ¥113.5 billion.

Ordinary Profit

As a result, ordinary profit increased by ¥245.8 billion year-on-year to ¥392.9 billion.

Extraordinary Gains (Losses)

Extraordinary losses amounted to ¥2.9 billion, a year-on-year increase of ¥0.9 billion.

Net Income

Current income taxes amounted to ¥19.8 billion, and deferred income taxes were ¥18.9 billion. As a result, net income increased by ¥238.5 billion year-on-year to ¥351.1 billion.

Ordinary Profit and Net Income

Six months ended September 30, 2010 and 2009, and year ended March 31, 2010

	Millions of yen		
	Six months ended September 30		Year ended March 31
	2010	2009	2010
Banking profit (before provision for general reserve for possible loan losses)	¥493,256	¥ 377,637	¥ 769,522
Provision for general reserve for possible loan losses (A)	4,872	47,647	9,067
Banking profit.....	498,129	425,285	778,589
Nonrecurring gains (losses).....	(105,176)	(278,196)	(315,839)
Credit cost (B).....	(48,762)	(204,622)	(263,805)
Net gains (losses) on stocks.....	(18,296)	(36,850)	3,857
Gains on sale of stocks.....	4,638	4,230	56,719
Losses on sale of stocks.....	(950)	(348)	(886)
Losses on devaluation of stocks	(21,984)	(40,731)	(51,975)
Others	(38,117)	(36,724)	(55,892)
Ordinary profit.....	392,952	147,089	462,749
Extraordinary gains (losses)	(2,926)	(1,982)	(7,999)
Gains (losses) on disposal of fixed assets.....	(909)	(656)	2,448
Losses on impairment of fixed assets.....	(1,276)	(1,397)	(10,525)
Gains on recoveries of written-off claims (C).....	554	70	77
Income taxes:			
Current.....	(19,862)	(21,637)	(44,997)
Deferred.....	(18,963)	(10,839)	(91,757)
Net income	¥351,199	¥ 112,628	¥ 317,995
Total credit cost (A) + (B) + (C).....	¥ (43,335)	¥(156,903)	¥(254,660)
Provision for general reserve for possible loan losses	4,872	47,647	9,067
Write-off of loans.....	(22,851)	(82,501)	(102,663)
Provision for specific reserve for possible loan losses	(23,769)	(89,504)	(92,114)
Losses on sales of delinquent loans.....	(2,135)	(32,770)	(69,259)
Provision for loan loss reserve for specific overseas countries	(5)	153	232
Gains on recoveries of written-off claims.....	554	70	77

3. Assets, Liabilities and Net Assets

Assets

SMBC's total assets as of September 30, 2010 increased by ¥5,287.8 billion from March 31, 2010 to ¥108,824.2 billion. The principal reason was a ¥4,900.5 billion increase in securities, due to an increase in the balance of the government bonds.

Liabilities

Liabilities as of September 30, 2010 increased by ¥5,070.1 billion from March 31, 2010 to ¥103,208.5 billion. The principal factor was an increase in funding in view of expected rise in loans and other assets.

Net Assets

Net assets as of September 30, 2010 amounted to ¥5,615.6 billion. Of this total, stockholders' equity was ¥5,237.5 billion. Stockholders' equity comprised ¥1,770.9 billion in capital stock, ¥2,473.5 billion in capital surplus (including ¥702.5 billion in other capital surplus) and ¥993.0 billion in retained earnings.

Valuation and translation adjustments were ¥378.1 billion, which included ¥208.7 billion in net unrealized gains on other securities, ¥147.8 billion in net deferred gains on hedges and ¥21.5 billion in land revaluation excess.

Assets, Liabilities and Net Assets

September 30, 2010 and 2009, and March 31, 2010

	Millions of yen		
	September 30		March 31
	2010	2009	2010
Assets.....	¥108,824,258	¥105,029,480	¥103,536,394
Securities.....	33,436,757	27,659,892	28,536,200
Loans and bills discounted.....	57,392,444	58,898,698	56,619,058
Liabilities.....	103,208,594	100,693,766	98,138,445
Deposits.....	70,257,529	68,846,649	70,457,266
Negotiable certificates of deposit.....	9,201,391	8,455,041	7,173,373
Net assets.....	5,615,664	4,335,714	5,397,949

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2010 amounted to ¥368.1 billion, a decrease of ¥197.7 billion from March 31, 2010, 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 credited to net assets, amounted to ¥312.6 billion, a decrease of ¥208.7 billion from March 31, 2010.

Unrealized Gains (Losses) on Securities

September 30, 2010 and March 31, 2010

	Millions of yen						
	September 30, 2010				March 31, 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.....	¥ 87,041	¥ 29,138	¥ 87,041	¥ —	¥ 57,903	¥ 58,530	¥ 626
Stocks of subsidiaries and affiliates...	(31,569)	(18,098)	212	31,782	(13,471)	—	13,471
Other securities.....	312,769	(208,608)	599,372	286,603	521,377	738,870	217,493
Stocks.....	137,694	(233,765)	380,584	242,889	371,459	518,132	146,672
Bonds.....	118,247	2,102	121,869	3,621	116,145	123,064	6,918
Others.....	56,827	23,055	96,918	40,091	33,772	97,674	63,901
Other money held in trust.....	(83)	(145)	—	83	62	157	95
Total.....	368,157	(197,715)	686,627	318,469	565,872	797,558	231,686
Stocks.....	119,044	(246,935)	380,797	261,752	365,979	518,132	152,153
Bonds.....	205,289	31,240	208,911	3,621	174,049	181,594	7,545
Others.....	43,824	17,981	96,918	53,094	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 and 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 September 30, 2010 and March 31, 2010, included losses of ¥968 million and gains of ¥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 September 30, 2010 and March 31, 2010, were included by ¥968 million and reduced by ¥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).