

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, 2012.

1. Operating Results

Gross banking profit in fiscal 2011 increased by ¥0.7 billion year-on-year to ¥1,532.5 billion, and expenses (excluding nonrecurring losses) increased by ¥20.2 billion to ¥719.4 billion. As a result, banking profit (before provision for general reserve for possible loan losses) decreased by ¥19.5 billion to ¥813.0 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 ¥99.6 billion year-on-year to ¥695.3 billion.

Net income after adjustment for ordinary profit for extraordinary gains and losses and income taxes increased by ¥56.7 billion year-on-year to ¥477.9 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥0.7 billion year-on-year to ¥1,532.5 billion. This was mainly due to an increase in net fees and commissions, attributable to an increase in fees related to overseas loans and domestic loan syndication. These factors were partly offset by a decrease in net interest income due to a stagnant balance of loans and bills discounted, amid sluggish financing demand in Japan, and deterioration in the interest margin due to lower interest rates.

Expenses

Expenses (excluding nonrecurring losses) increased by ¥20.2 billion year-on-year to ¥719.4 billion. This was mainly due to the proactive allocation of resources into focused business areas, such as overseas businesses, while reexamining and controlling ordinary expenses.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased by ¥19.5 billion year-on-year to ¥813.0 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Gross banking profit.....	¥1,532,511	¥1,531,759	¥ 752
[Gross domestic banking profit]	[1,097,760]	[1,114,329]	[(16,569)]
[Gross international banking profit]	[434,750]	[417,429]	[17,321]
Net interest income	956,878	967,825	(10,946)
Trust fees	1,716	2,299	(582)
Net fees and commissions	318,907	302,667	16,240
Net trading income	84,051	151,070	(67,019)
Net other operating income	170,957	107,897	63,059
[Gross banking profit (excluding gains (losses) on bonds)]	[1,379,974]	[1,384,638]	[(4,664)]
Expenses (excluding nonrecurring losses)	(719,495)	(699,197)	(20,298)
Personnel expenses	(259,782)	(249,842)	(9,940)
Nonpersonnel expenses	(422,854)	(411,471)	(11,383)
Taxes	(36,858)	(37,883)	1,025
Banking profit (before provision for general reserve for possible loan losses)	813,015	832,562	(19,547)
[Banking profit (before provision for general reserve for possible loan losses and gains (losses) on bonds)]	[660,478]	[685,441]	[(24,963)]
Provision for general reserve for possible loan losses	43,780	12,335	31,445
Banking profit	856,796	844,897	11,899

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2012	Billions of yen					
	Consumer Banking Unit	Middle Market Banking Unit	Corporate Banking Unit	International Banking Unit	Treasury Unit	Head Office Account
Banking profit (before provision for general reserve for possible loan losses)	¥94.2	¥200.1	¥174.4	¥132.5	¥300.1	¥(88.3)
Year-on-year increase (decrease)	(4.6)	(18.4)	6.5	17.6	(12.7)	(8.0)
						(19.6)

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 decreased by ¥87.7 billion year-on-year to ¥161.4 billion. This improvement was mainly due to a ¥72.1 billion decrease in net losses on stocks to ¥15.1 billion, due to reduced write-offs, and a ¥3.9 billion decrease in credit cost to ¥103.6 billion, as a result of tailored efforts to assist certain borrowers to improve their business and financial conditions.

Net total credit cost — the sum of credit cost of ¥103.6 billion recorded under “Nonrecurring losses,” provision for general reserve for possible loan losses, and gains on recoveries of written-off claims — decreased by ¥35.6 billion year-on-year to ¥58.6 billion.

Ordinary Profit

As a result of the foregoing, ordinary profit increased by ¥99.6 billion year-on-year to ¥695.3 billion.

Extraordinary Gains (Losses)

Extraordinary losses decreased by ¥3.5 billion year-on-year to ¥3.3 billion.

Net Income

Current income taxes amounted to ¥44.7 billion, and deferred income taxes were ¥169.3 billion. As a result, net income increased by ¥56.7 billion year-on-year to ¥477.9 billion.

Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses).....	¥813,015	¥832,562	¥(19,547)
Provision for general reserve for possible loan losses (A).....	43,780	12,335	31,445
Banking profit	856,796	844,897	11,899
Nonrecurring gains (losses)	(161,453)	(249,193)	87,740
Credit cost (B).....	(103,662)	(107,660)	3,998
Recoveries of written-off claims (C).....	1,234	—	1,234
Net gains (losses) on stocks.....	(15,153)	(87,285)	72,132
Gains on sale of stocks	20,562	21,671	(1,109)
Losses on sale of stocks	(7,074)	(1,604)	(5,470)
Losses on devaluation of stocks	(28,642)	(107,353)	78,711
Others.....	(43,871)	(54,247)	10,376
Ordinary profit	695,342	595,704	99,638
Extraordinary gains (losses).....	(3,349)	(6,864)	3,515
Gains (losses) on disposal of fixed assets.....	(717)	(2,336)	1,619
Losses on impairment of fixed assets.....	(2,632)	(4,288)	1,656
Recoveries of written-off claims (D).....	—	1,055	(1,055)
Income taxes:			
Current.....	(44,703)	(42,386)	(2,317)
Deferred.....	(169,315)	(125,273)	(44,042)
Net income	¥477,973	¥421,180	¥ 56,793
Net total credit cost (A) + (B) + (C) + (D)	¥ (58,647)	¥ (94,269)	¥ 35,622
Provision for general reserve for possible loan losses	43,780	12,335	31,445
Write-off of loans	(15,797)	(70,775)	54,978
Provision for specific reserve for possible loan losses.....	(59,196)	(27,104)	(32,092)
Losses on sales of delinquent loans	(28,767)	(9,693)	(19,074)
Provision for loan loss reserve for specific overseas countries.....	98	(87)	185
Recoveries of written-off claims	1,234	1,055	179

Note: “Recoveries of written-off claims” which were included in “Extraordinary gains (losses)” are included in “Nonrecurring gains (losses)” since the fiscal year beginning on or after April 1, 2011.

3. Assets, Liabilities and Net Assets

Assets

Total assets as of March 31, 2012 increased by ¥3,552.5 billion year-on-year to ¥119,037.4 billion. This was attributable mainly to a ¥2,587.7 billion increase in securities due to an increase in the balance of Japanese government bonds and a ¥1,173.8 billion increase in overseas loans.

Liabilities

Liabilities as of March 31, 2012 increased by ¥3,402.1 billion year-on-year to ¥113,327.8 billion. The main reason for the increase in liabilities was a ¥1,767.6 billion increase in individual and corporate deposits in Japan.

Net Assets

Net assets as of March 31, 2012 amounted to ¥5,709.6 billion. Of this amount, stockholders' equity was ¥5,297.3 billion, comprising ¥1,770.9 billion in capital stock, ¥2,481.2 billion in capital surplus (including ¥710.2 billion in other capital surplus), ¥1,255.1 billion in retained earnings, and a deduction of ¥210.0 billion in treasury stock.

Valuation and translation adjustments were ¥412.2 billion, comprising ¥281.1 billion in net unrealized gains on other securities, ¥105.3 billion in net deferred gains on hedges, and ¥25.7 billion in land revaluation excess.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Assets.....	¥119,037,469	¥115,484,907	¥3,552,561
Securities.....	42,441,134	39,853,432	2,587,702
Loans and bills discounted.....	56,411,492	55,237,613	1,173,878
Liabilities.....	113,327,806	109,925,614	3,402,191
Deposits.....	75,804,088	74,036,469	1,767,618
Negotiable certificates of deposit.....	8,588,746	8,406,816	181,929
Net assets	5,709,663	5,559,293	150,370

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2012 increased by ¥98.6 billion year-on-year to ¥435.3 billion, mainly due to an increase in the unrealized gains of foreign currency bonds. Of this amount, net unrealized gains on

other securities, which are directly debited to net assets, amounted to ¥388.9 billion, a year-on-year increase of ¥83.3 billion.

Unrealized Gains (Losses) on Securities

		Millions of yen							
		2012				2011			
		Non-consolidated balance sheet amount	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Non-consolidated balance sheet amount	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
March 31									
Held-to-maturity securities.....		¥ 5,163,764	¥ 67,902	¥ 8,972	¥ 67,993	¥ 4,071,733	¥ 58,930	¥ 60,394	¥ 1,463
Stocks of subsidiaries and affiliates...		2,324,041	(21,499)	6,449	622	2,228,437	(27,948)	521	28,470
Other securities		35,440,979	388,982	83,361	672,572	33,980,684	305,621	662,003	356,382
Stocks.....		2,250,672	228,453	(47,015)	466,871	2,338,455	275,468	468,639	193,170
Bonds		26,306,672	104,356	32,425	109,504	24,303,221	71,931	99,888	27,956
Others		6,883,634	56,172	97,950	96,196	7,339,007	(41,778)	93,476	135,254
Other money held in trust.....		5,805	(46)	(88)	—	8,875	42	42	—
Total		42,934,589	435,338	98,692	741,188	40,289,730	336,646	722,962	386,315
Stocks.....		3,472,964	217,149	(44,140)	467,494	3,494,297	261,289	469,161	207,871
Bonds		31,470,436	172,259	41,398	177,497	28,374,954	130,861	160,282	29,420
Others		7,991,189	45,930	101,435	96,196	8,420,478	(55,505)	93,518	149,023

- 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, 2012 and 2011, included gains of ¥196 million and ¥1,153 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, 2012 and 2011, were reduced by ¥196 million and ¥1,153 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).