

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, 2013.

1. Operating Results

Gross banking profit in fiscal 2012 increased by ¥7.5 billion year-on-year to ¥1,540.0 billion, and expenses (excluding nonrecurring losses) increased by ¥8.2 billion to ¥727.7 billion. As a result, banking profit (before provision for general reserve for possible loan losses) decreased by ¥0.6 billion to ¥812.3 billion.

Ordinary profit — banking profit (before provision for general reserve for possible loan losses) adjusted for nonrecurring items such as credit cost and net gains (losses) on stocks — decreased by ¥24.4 billion year-on-year to ¥670.8 billion.

Net income after adjustment for ordinary profit for extraordinary gains and losses, and income taxes increased by ¥139.8 billion year-on-year to ¥617.7 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥7.5 billion year-on-year to ¥1,540.0 billion despite a ¥38.6 billion decrease in gains on bonds. This was due to an increase in fees and commissions from syndicated loan and loan arrangement services; a robust sales of investment trusts supported by the recovery in the stock market in the second half of the fiscal year; and an increase in net interest income of International Banking Unit, mainly in Asia and the Americas.

Expenses

Expenses (excluding nonrecurring losses) increased by ¥8.2 billion year-on-year to ¥727.7 billion. This was due to a combination of an increase in personnel and operational expenses accompanying the expansion of overseas business and the yen's depreciation which outweighed a reduction from the reexamination and control of ordinary expenses.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) decreased by ¥0.6 billion year-on-year to ¥812.3 billion.

Banking Profit

Year ended March 31	Millions of yen		
	2013 (A)	2012 (B)	Increase (decrease) (A) – (B)
Gross banking profit	¥1,540,095	¥1,532,511	¥ 7,584
[Gross domestic banking profit]	[1,098,912]	[1,097,760]	[1,152]
[Gross international banking profit]	[441,182]	[434,750]	[6,432]
Net interest income	971,202	956,878	14,324
Trust fees	1,823	1,736	87
Net fees and commissions	343,738	318,887	24,851
Net trading income	(3,781)	84,051	(87,832)
Net other operating income	227,112	170,957	56,155
[Gains (losses) on bonds]	[113,849]	[152,536]	[(38,687)]
Expenses (excluding nonrecurring losses)	(727,736)	(719,495)	(8,241)
Personnel expenses	(270,091)	(259,782)	(10,309)
Nonpersonnel expenses	(419,203)	(422,854)	3,651
Taxes	(38,440)	(36,858)	(1,582)
Banking profit (before provision for general reserve for possible loan losses)	812,358	813,015	(657)
[Gains (losses) on bonds]	[113,849]	[152,536]	[(38,687)]
Provision for general reserve for possible loan losses	—	43,780	(43,780)
Banking profit	812,358	856,796	(44,438)

<Reference>

Banking Profit by Business Unit

Year ended March 31, 2013	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)	¥90.5	¥195.5	¥168.4	¥167.6	¥274.3	¥(83.9)	¥812.4
Year-on-year increase (decrease)	9.8	(2.7)	2.0	24.6	(25.5)	(8.8)	(0.6)

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 ¥19.9 billion year-on-year to ¥141.5 billion. This was mainly due to a ¥39.1 billion decrease to ¥19.5 billion in total credit cost, after adjustments regarding reversal of reserve for possible loan losses for credit cost, as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions.

Ordinary Profit

As a result of the foregoing, ordinary profit decreased by ¥24.4 billion year-on-year to ¥670.8 billion.

Extraordinary Gains (Losses)

Extraordinary losses increased by ¥2.1 billion year-on-year to ¥5.4 billion.

Net Income

Due to elimination of tax loss carryforwards, current income taxes came to ¥209.7 billion, a ¥165.0 billion increase in expenses, but deferred income taxes came to ¥162.0 billion, an improvement of ¥331.4 billion from the previous year.

This was due to a change in tax effect accounting treatment in line with the elimination of tax loss carryforwards in the current year, with the effect that the total of deferred tax assets recognized increased.

Ordinary Profit and Net Income

Year ended March 31	Millions of yen		
	2013 (A)	2012 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses).....	¥812,358	¥813,015	¥ (657)
Provision for general reserve for possible loan losses (A).....	—	43,780	(43,780)
Banking profit	812,358	856,796	(44,438)
Nonrecurring gains (losses)	(141,505)	(161,453)	19,948
Credit cost (B).....	(46,326)	(103,662)	57,336
Gains on reversal of reserve for possible loan losses (C).....	26,747	—	26,747
Recoveries of written-off claims (D).....	54	1,234	(1,180)
Net gains (losses) on stocks.....	(35,662)	(15,153)	(20,509)
Gains on sale of stocks	469	13,488	(13,019)
Losses on devaluation of stocks	(36,131)	(28,642)	(7,489)
Others.....	(86,319)	(43,871)	(42,448)
Ordinary profit	670,852	695,342	(24,490)
Extraordinary gains (losses).....	(5,451)	(3,349)	(2,102)
Gains (losses) on disposal of fixed assets.....	(2,200)	(717)	(1,483)
Losses on impairment of fixed assets.....	(3,250)	(2,632)	(618)
Income taxes:			
Current.....	(209,704)	(44,703)	(165,001)
Deferred.....	162,095	(169,315)	331,410
Net income	¥617,791	¥477,973	¥139,818
Net total credit cost (A) + (B) + (C) + (D)	¥ (19,523)	¥ (58,647)	¥ 39,124
Provision for general reserve for possible loan losses	71,680	43,780	27,900
Write-off of loans	(40,258)	(15,797)	(24,461)
Provision for specific reserve for possible loan losses.....	(45,102)	(59,196)	14,094
Losses on sales of delinquent loans	(6,067)	(28,767)	22,700
Provision for loan loss reserve for specific overseas countries.....	168	98	70
Recoveries of written-off claims	54	1,234	(1,180)

3. Assets, Liabilities and Net Assets

Assets

Total assets as of March 31, 2013 increased by ¥6,872.5 billion year-on-year to ¥125,910.0 billion. This was largely due to a ¥3,359.2 billion increase in loans and bills discounted, principally in Asia and the Americas.

Liabilities

Liabilities as of March 31, 2013 increased by ¥6,027.7 billion year-on-year to ¥119,355.5 billion, mainly due to a ¥4,202.3 billion increase in deposits. Both individual and corporate deposits increased in Japan, and in other parts of the world, deposits increased from the expansion of over-seas business.

Net Assets

Net assets as of March 31, 2013 amounted to ¥6,554.4 billion. Of this amount, stockholders' equity was ¥5,762.9 billion, comprising ¥1,770.9 billion in capital stock, ¥2,481.2 billion in capital surplus (including ¥710.2 billion in other capital surplus), ¥1,720.7 billion in retained earnings, and a deduction of ¥210.0 billion in treasury stock.

Valuation and translation adjustments were ¥791.4 billion, comprising ¥742.3 billion in net unrealized gains on other securities, ¥23.3 billion in net deferred gains on hedges, and ¥25.8 billion in land revaluation excess.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2013 (A)	2012 (B)	Increase (decrease) (A) – (B)
Assets.....	¥125,910,020	¥119,037,469	¥6,872,551
Securities.....	41,347,000	42,441,134	(1,094,134)
Loans and bills discounted.....	59,770,763	56,411,492	3,359,271
Liabilities.....	119,355,573	113,327,806	6,027,767
Deposits.....	80,006,438	75,804,088	4,202,350
Negotiable certificates of deposit.....	11,921,899	8,588,746	3,333,153
Net assets	6,554,446	5,709,663	844,783

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2013 increased by ¥648.9 billion year-on-year to ¥1,084.2 billion, mainly due to an increase in the unrealized gains of stocks. Of this amount, net unrealized gains on other securities

(including other money held in trust), which are directly recorded to net assets, amounted to ¥1,040.6 billion, a year-on-year increase of ¥651.7 billion.

Unrealized Gains (Losses) on Securities

Millions of yen									
March 31	2013					2012			
	Non-consolidated balance sheet amount	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Non-consolidated balance sheet amount	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 5,735,948	¥ 59,904	¥ (7,998)	¥ 59,941	¥ 37	¥ 5,163,764	¥ 67,902	¥ 67,993	¥ 90
Stocks of subsidiaries and affiliates...	2,474,054	(16,326)	5,173	7,274	23,600	2,324,041	(21,499)	622	22,122
Other securities	33,655,434	1,040,660	651,678	1,165,723	125,062	35,440,979	388,982	672,572	283,590
Stocks.....	2,792,916	769,685	541,232	862,237	92,551	2,250,672	228,453	466,871	238,418
Bonds	23,126,292	95,261	(9,095)	98,552	3,291	26,306,672	104,356	109,504	5,148
Others.....	7,736,225	175,713	119,541	204,933	29,219	6,883,634	56,172	96,196	40,024
Other money held in trust.....	2,372	10	56	10	—	5,805	(46)	—	46
Total.....	41,867,810	1,084,249	648,911	1,232,949	148,699	42,934,589	435,338	741,188	305,850
Stocks.....	3,900,774	764,286	547,137	869,511	105,224	3,472,964	217,149	467,494	250,345
Bonds	28,862,241	155,165	(17,094)	158,494	3,328	31,470,436	172,259	177,497	5,238
Others	9,104,794	164,797	118,867	204,943	40,146	7,991,189	45,930	96,196	50,266

- 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 mainly 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, 2013 and 2012, included gains of ¥29,831 million and ¥196 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, 2013 and 2012, were reduced by ¥29,831 million and ¥196 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).