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, 2014.

1. Operating Results

In fiscal 2013, gross banking profit increased by ¥18.0 billion year-on-year to ¥1,558.1 billion, and expenses (excluding nonrecurring losses) increased by ¥18.0 billion to ¥745.7 billion. As a result, banking profit (before provision for general reserve for possible loan losses) remained steady from the previous fiscal year at ¥812.4 billion.

Ordinary profit, after the adjustment of banking profit (before provision for general reserve for possible loan losses) for non-recurring items such as credit costs and net gains on stocks, increased by ¥281.6 billion year-on-year to ¥952.5 billion.

Net income after the adjustment of ordinary profit for extraordinary gains and losses, and income taxes and other taxes decreased by ¥12.5 billion year-on-year to ¥605.2 billion.

2. Income Analysis

Gross Banking Profit

Gross banking profit increased by ¥18.0 billion year-on-year to ¥1,558.1 billion despite a ¥113.1 billion decrease in gains on bonds. This was due mainly to an increase in net interest income due to profits from equity index-linked investment trusts, and an increase in net interest income and net fees and commissions included in gross international profit in line with asset growth mainly in Asia and the Americas.

Expenses

Expenses (excluding non-recurring losses) increased by ¥18.0 billion year-on-year to ¥745.7 billion, despite a reduction in ordinary expenses. This was mainly attributable to an increase in personnel and business promotion expenses accompanying the expansion of overseas business, and an increase in depreciation arising from previous fiscal years' investments in systems and facilities.

Banking Profit

Banking profit (before provision for general reserve for possible loan losses) remained steady from the previous fiscal year at ¥812.4 billion.

Banking Profit

Millions of yen

Year ended March 31	**2014** (A)	2013 (B)	Increase (decrease) (A) – (B)
Gross banking profit	**¥1,558,184**	¥1,540,095	¥ 18,089
[Gross domestic banking profit]	**[1,112,008]**	[1,098,912]	[13,096]
[Gross international banking profit]	**[446,175]**	[441,182]	[4,993]
Net interest income	**1,064,906**	971,202	93,704
Trust fees	**1,972**	1,823	149
Net fees and commissions	**357,351**	343,738	13,613
Net trading income	**36,779**	(3,781)	40,560
Net other operating income	**97,172**	227,112	(129,940)
[Gains (losses) on bonds]	**[734]**	[113,849]	[(113,115)]
Expenses (excluding nonrecurring losses)	**(745,745)**	(727,736)	(18,009)
Personnel expenses	**(283,236)**	(270,091)	(13,145)
Nonpersonnel expenses	**(425,140)**	(419,203)	(5,937)
Taxes	**(37,368)**	(38,440)	1,072
Banking profit (before provision for general reserve for possible loan losses)	**812,438**	812,358	80
[Gains (losses) on bonds]	**[734]**	[113,849]	[(113,115)]
Provision for general reserve for possible loan losses	**—**	—	—
Banking profit	**812,438**	812,358	80

<Reference>

Banking Profit by Business Unit

Billions of yen

Year ended March 31, 2014	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)	¥54.3	¥180.2	¥185.3	¥206.7	¥302.5	¥(116.6)	¥812.4
Year-on-year increase (decrease)	(23.8)	(9.2)	(6.6)	9.1	28.5	(11.2)	0.0

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 Costs, etc.)

Non-recurring gains were ¥140.0 billion compared with the previous fiscal year, an improvement of ¥281.5 billion. This was due chiefly to an increase in gains on sales of stocks reflecting the improvement in the Japanese stock market, and an increase in gains on reversal of reserve for possible loan losses as a result of individualized efforts to assist borrowers to improve their business and financial conditions.

Total credit cost — the total of provision for general reserve for possible loan losses, credit costs, gains on reversal of reserve for possible loan losses and recoveries of written-off claims — decreased by ¥143.4 billion year-on-year to a net reversal of ¥123.9 billion.

Ordinary Profit

As a result, ordinary profit increased by ¥281.6 billion year-on-year to ¥952.5 billion.

Extraordinary Gains (Losses)

Extraordinary losses increased by ¥0.5 billion year-on-year to ¥6.0 billion.

Net Income

Current income taxes totaled ¥182.8 billion. Deferred income taxes increased by ¥320.4 billion to an expense of ¥158.3 billion, due chiefly to the absence of special factors in the previous fiscal year following a revision of the criteria under which SMBC recognized deferred tax assets. As a result, net income for the period decreased ¥12.5 billion year-on-year to ¥605.2 billion.

Ordinary Profit and Net Income

	Millions of yen		
Year ended March 31	**2014** (A)	2013 (B)	Increase (decrease) (A) – (B)
Banking profit (before provision for general reserve for possible loan losses)	**¥812,438**	¥812,358	¥ 80
Provision for general reserve for possible loan losses (A)	**—**	—	—
Banking profit	**812,438**	812,358	80
Nonrecurring gains (losses)	**140,078**	(141,505)	281,583
Credit costs (B)	**(8,945)**	(46,326)	37,381
Gains on reversal of reserve for possible loan losses (C)	**132,784**	26,747	106,037
Recoveries of written-off claims (D)	**82**	54	28
Net gains (losses) on stocks	**106,410**	(35,662)	142,072
Gains on sales of stocks and other securities	**112,682**	469	112,213
Losses on devaluation of stocks and other stocks	**(6,272)**	(36,131)	29,859
Others	**(90,252)**	(86,319)	(3,933)
Ordinary profit	**952,516**	670,852	281,664
Extraordinary gains (losses)	**(6,033)**	(5,451)	(582)
Losses on disposal of fixed assets	**(3,604)**	(2,200)	(1,404)
Losses on impairment of fixed assets	**(2,428)**	(3,250)	822
Income taxes-current	**(182,869)**	(209,704)	26,835
Income taxes-deferred	**(158,358)**	162,095	(320,453)
Net income	**¥605,255**	¥617,791	¥ (12,536)
Net total credit cost (A) + (B) + (C) + (D)	**¥123,920**	¥ (19,523)	¥143,443
Provision for general reserve for possible loan losses	**66,627**	71,680	(5,053)
Write-off of loans	**(4,520)**	(40,258)	35,738
Provision for specific reserve for possible loan losses	**66,899**	(45,102)	112,001
Losses on sales of delinquent loans	**(4,425)**	(6,067)	1,642
Provision for loan loss reserve for specific overseas countries	**(742)**	168	(910)
Recoveries of written-off claims	**82**	54	28

3. Assets, Liabilities and Net Assets

Assets

Total assets as of March 31, 2014 increased by ¥10,056.4 billion year-on-year to ¥135,966.4 billion. Of this amount, loans and bills discounted increased by ¥3,599.9 billion to ¥63,370.6 billion, mainly in Asia and the Americas.

Liabilities

Liabilities as of March 31, 2014 increased by ¥9,533.5 billion year-on-year to ¥128,889.0 billion. Deposits increased by ¥4,130.9 billion to ¥84,137.3 billion due to an increase in deposits both domestic and overseas.

Net Assets

Net assets as of March 31, 2014 amounted to ¥7,077.3 billion. Of this amount, stockholders' equity was ¥6,179.5 billion mainly due to the recording of net income, and the payment of cash dividends, comprising ¥1,770.9 billion in capital stock, ¥2,481.2 billion in capital surplus (including ¥710.2 billion in other capital surplus), ¥2,137.2 billion in retained earnings, and a deduction of ¥210.0 billion in treasury stock.

Valuation and translation adjustments were ¥897.8 billion, comprising ¥926.8 billion in net unrealized gains on other securities, ¥53.1 billion in net deferred losses on hedges, and ¥24.1 billion in land revaluation excess.

Assets, Liabilities and Net Assets

	Millions of yen		
March 31	**2014** (A)	2013 (B)	Increase (decrease) (A) – (B)
Assets	**¥135,966,434**	¥125,910,020	¥10,056,414
Securities	**27,317,549**	41,347,000	(14,029,451)
Loans and bills discounted	**63,370,678**	59,770,763	3,599,915
Liabilities	**128,889,073**	119,355,573	9,533,500
Deposits	**84,137,339**	80,006,438	4,130,901
Negotiable certificates of deposit	**14,020,505**	11,921,899	2,098,606
Net assets	**7,077,360**	6,554,446	522,914
Stockholder's equity	**6,179,502**	5,762,995	416,507

4. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2014 increased by ¥161.2 billion year-on-year to ¥1,245.4 billion, as a result of an increase in unrealized gains on stocks reflecting the improvement of stock market.

Unrealized Gains (Losses) on Securities

Millions of yen

March 31	2014 Non-consolidated balance sheet amount	2014 Net unrealized gains (losses) (A)	2014 (A) – (B)	2014 Unrealized gains	2014 Unrealized losses	2013 Non-consolidated balance sheet amount	2013 Net unrealized gains (losses) (B)	2013 Unrealized gains	2013 Unrealized losses
Held-to-maturity securities	**¥ 4,436,939**	**¥ 33,115**	**¥ (26,789)**	**¥ 33,240**	**¥ 124**	¥ 5,735,948	¥ 59,904	¥ 59,941	¥ 37
Stocks of subsidiaries and affiliates	**3,148,478**	**(72,421)**	**(56,095)**	**7,158**	**79,579**	2,474,054	(16,326)	7,274	23,600
Other securities	**20,288,361**	**1,284,779**	**244,119**	**1,391,833**	**107,054**	33,655,434	1,040,660	1,165,723	125,062
Stocks	**3,118,385**	**1,109,090**	**339,405**	**1,159,836**	**50,746**	2,792,916	769,685	862,237	92,551
Bonds	**11,831,122**	**59,993**	**(35,268)**	**63,934**	**3,940**	23,126,292	95,261	98,552	3,291
Others	**5,338,853**	**115,695**	**(60,018)**	**168,062**	**52,367**	7,736,225	175,713	204,933	29,219
Other money held in trust	**2,060**	**–**	**(10)**	**–**	**–**	2,372	10	10	–
Total	**27,875,841**	**1,245,474**	**161,225**	**1,432,232**	**186,758**	41,867,810	1,084,249	1,232,949	148,699
Stocks	**4,287,847**	**1,104,367**	**340,081**	**1,166,995**	**62,627**	3,900,774	764,286	869,511	105,224
Bonds	**16,268,062**	**93,109**	**(62,056)**	**97,174**	**4,065**	28,862,241	155,165	158,494	3,328
Others	**7,319,931**	**47,997**	**(116,800)**	**168,062**	**120,065**	9,104,794	164,797	204,943	40,146

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 valuated at the market price as of the balance sheet date.

3. "Other securities" and "Other money held in trust" are valuated 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, 2014 and 2013, included gains of ¥17,031 million and ¥29,831 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, 2014 and 2013, were reduced by ¥17,031 million and ¥29,831 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).