



Financial Review

Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for the first half of fiscal 2007, the six-month period ended September 30, 2007.

1. Operating Results

Operating results for the first half of fiscal 2007 include the results of 185 consolidated subsidiaries (126 in Japan and 59 overseas) and 66 subsidiaries and affiliates accounted for by the equity method (40 in Japan and 26 overseas).

Consolidated gross profit posted a year-on-year increase of ¥136.7 billion to ¥1,022.5 billion, largely as a result of a decline in bond-related losses within the category of "net other operating income (expenses)." This improvement was made possible due to a preventive reduction in the bond portfolio, combined with an increase in net interest income

resulting from an improved loan/deposit interest margin.

After factoring in general and administrative expenses, credit cost, net losses on stocks, equity in earnings of affiliates, and other relevant income items, ordinary profit came to ¥353.2 billion, a year-on-year decrease of ¥3.8 billion. This was due mainly to increases in credit costs and losses on impairment of stockholdings.

Net income after inclusion of extraordinary losses and income taxes amounted to ¥170.5 billion, a year-on-year decrease of ¥73.0 billion.

Number of Consolidated Subsidiaries, and Subsidiaries and Affiliates Accounted for by the Equity Method

September 30, 2007 and 2006, and March 31, 2007

	September 30		March 31
	2007	2006	2007
Consolidated subsidiaries.....	185	176	181
Subsidiaries and affiliates accounted for by the equity method.....	66	61	62

Income Summary

Six months ended September 30, 2007 and 2006, and year ended March 31, 2007

	Millions of yen		
	Six months ended September 30	Year ended March 31	
	2007	2006	2007
Consolidated gross profit.....	¥1,022,551	¥885,809	¥1,906,173
Net interest income.....	599,574	559,615	1,168,592
Trust fees.....	2,262	1,416	3,508
Net fees and commissions	293,439	283,394	609,185
Net trading income	118,362	51,613	125,625
Net other operating income (expenses)	8,912	(10,230)	(738)
General and administrative expenses	(477,357)	(432,705)	(888,561)
Credit cost (A).....	(143,490)	(64,977)	(146,186)
Write-off of loans	(65,014)	(57,626)	(81,415)
Provision for specific reserve for possible loan losses	(62,470)	—	(77,446)
Provision for general reserve for possible loan losses	(12,584)	—	53,370
Others.....	(3,421)	(7,350)	(40,695)
Net gains (losses) on stocks.....	(47,423)	10,370	44,730
Equity in earnings (losses) of affiliates	19,030	(32,344)	(104,170)
Other income (expenses)	(20,072)	(9,016)	(13,374)
Ordinary profit.....	353,237	357,136	798,610
Extraordinary gains (losses)	(2,903)	44,165	8,180
Losses on impairment of fixed assets	(3,205)	(2,006)	(30,548)
Gains on reversal of reserve for possible loan losses (B)	—	6,470	—
Gains on collection of written-off claims (C)	386	542	1,236
Gains on return of securities from retirement benefits trust.....	—	36,330	36,330
Income before income taxes and minority interests	350,334	401,302	806,790
Income taxes:			
Current	(53,951)	(42,273)	(87,818)
Deferred.....	(89,270)	(86,218)	(218,770)
Minority interests in net income	(36,519)	(29,149)	(58,850)
Net income	¥ 170,592	¥243,660	¥ 441,351
Total credit cost (A) + (B) + (C)	¥ (143,104)	¥ (57,963)	¥ (144,950)
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 499.6	¥ 426.4	¥ 924.2

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)
 2. Consolidated banking profit = SMBC's nonconsolidated banking profit (before provision for general reserve for possible loan losses) + SMFG's ordinary profit + Other subsidiaries' ordinary profit (excluding nonrecurring factors) + Equity method affiliates' ordinary profit x Ownership ratio – Internal transactions (dividends, etc.)

Deposits (excluding negotiable certificates of deposit) as of September 30, 2007, stood at ¥72,925.7 billion, a ¥769.5 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit stood at ¥2,528.2 billion, a decrease of ¥60.9 billion over the same period.

Loans and bills discounted increased ¥1,504.2 billion to

¥60,193.5 billion, while securities increased ¥62.3 billion to ¥20,599.8 billion.

Net assets came to ¥5,268.8 billion, a decrease of ¥62.4 billion over the same period.

Assets, Liabilities and Net Assets

September 30, 2007 and 2006, and March 31, 2007

	Millions of yen		
	September 30		March 31
	2007	2006	2007
Assets.....	¥105,927,629	¥102,551,964	¥100,858,309
Securities.....	20,599,844	22,351,635	20,537,500
Loans and bills discounted.....	60,193,566	59,184,457	58,689,322
Liabilities.....	100,658,776	97,929,171	95,527,029
Deposits.....	72,925,766	72,165,553	72,156,224
Negotiable certificates of deposit.....	2,528,292	2,492,353	2,589,217
Net assets.....	5,268,853	4,622,792	5,331,279

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2007 amounted to ¥1,515.7 billion, which was a decrease of ¥296.6 billion from the previous fiscal year-end. Net unrealized gains on other securities (including “other money held in trust”), changes in which are directly credited to net assets,

decreased by ¥300.5 billion over the same period, to ¥1,524.9 billion. This decline is attributable to a decrease in net unrealized gains on stocks due to deterioration in stock prices in general.

Unrealized Gains (Losses) on Securities

September 30, 2007 and March 31, 2007

	Millions of yen						
	September 30, 2007				March 31, 2007		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ (9,179)	¥ 3,886	¥ 423	¥ 9,603	¥ (13,065)	¥ 200	¥ 13,266
Other securities	1,524,864	(300,304)	1,787,556	262,692	1,825,168	2,032,120	206,952
Stocks.....	1,729,068	(243,579)	1,752,060	22,991	1,972,647	1,987,337	14,689
Bonds	(163,239)	(5,872)	1,679	164,918	(157,367)	1,805	159,173
Others.....	(40,964)	(50,852)	33,816	74,781	9,888	42,977	33,089
Other money held in trust	78	(244)	78	—	322	322	—
Total	1,515,762	(296,662)	1,788,058	272,295	1,812,424	2,032,643	220,218
Stocks.....	1,729,068	(243,579)	1,752,060	22,991	1,972,647	1,987,337	14,689
Bonds	(172,421)	(1,808)	2,097	174,519	(170,613)	1,825	172,439
Others.....	(40,884)	(51,275)	33,899	74,784	10,391	43,480	33,089

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in “Deposits with banks” and beneficiary claims on loan trust in “Commercial paper and other debt purchased.”
2. Unrealized gains (losses) on stocks are mainly calculated using the average market prices during the final month of the respective reporting period. The rest of the securities are valued at market prices as of the balance sheet date.
3. “Other securities” and “Other money held in trust” are valued and recorded on the consolidated 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.

3. Consolidated Capital Ratio

SMFG's consolidated capital ratio (BIS guidelines) as of September 30, 2007 was 10.60%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,812.3 billion. On the other hand, risk-adjusted assets, the denominator in the

equation, amounted to ¥64,251.1 billion.

The capital ratio as of March 31 and September 30, 2007 was calculated under Basel II. The capital ratio as of September 30, 2006 was calculated under the former method.

Consolidated Capital Ratio

September 30, 2007 and 2006, and March 31, 2007

	Millions of yen		
	September 30	September 30	March 31
	2007	2006	2007
Tier I capital	¥ 4,069,277	¥ 3,737,747	¥ 3,903,257
Tier II capital included as qualifying capital	3,481,365	3,737,747	3,640,226
Deductions	(738,262)	(630,601)	(690,759)
Total capital	6,812,380	6,844,893	6,852,723
Risk-adjusted assets	64,251,120	67,945,876	60,540,346
Capital ratio	10.60%	10.07%	11.31%

4. Deferred Tax Assets

Net deferred tax assets increased by ¥24.0 billion from the previous fiscal year-end, to stand at ¥860.2 billion. This increase was attributable to the posting of an income before income taxes and a decrease in unrealized gains on other

(available-for-sale) securities. SMFG has been adopting a conservative stance on the recording of deferred tax assets in consideration of the need to secure a sound financial position.

Deferred Tax Assets

September 30, 2007 and 2006, and March 31, 2007

	Millions of yen		
	September 30	September 30	March 31
	2007	2006	2007
Net deferred tax assets	¥860,287	¥973,448	¥836,270
Net deferred tax assets / Tier I capital × 100	21.1%	26.0%	21.4%