

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 fiscal year ended March 31, 2009.

1. Operating Results

Operating results for fiscal 2008 include the results of 288 consolidated subsidiaries (167 in Japan and 121 overseas) and 79 subsidiaries and affiliates accounted for by the equity method (50 in Japan and 29 overseas).

Gross profit increased ¥49.6 billion year on year, to ¥2,165.8 billion. The principal reasons for this increase were 1) higher net interest income from improvement in net interest margins in overseas operations, and 2) higher net trading income due to trading operations taking advantage of interest-rate trends in Japan and overseas and reduction of sub-prime exposures. After adjusting for general and

administrative expenses, credit cost, net losses on stocks, equity in losses of affiliates, and other items, ordinary profit decreased ¥785.8 billion, to ¥45.3 billion. The chief factors here were poor business conditions at our customers due to adverse economic trends at home and abroad, an increase in credit cost from additional loan loss provisions for further economic deterioration, and a jump in net losses on stocks from the global stock market crash.

After adjusting ordinary profit for extraordinary gains and losses, income taxes, and other items, net loss was ¥373.4 billion, a decrease of ¥834.9 billion from the previous fiscal

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

March 31	2009 (A)	2008 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	288	268	20
Subsidiaries and affiliates accounted for by the equity method	79	74	5

Income Summary

	Millions of yen		
Year ended March 31	2009 (A)	2008 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit.....	¥2,165,880	¥2,116,248	¥ 49,632
Net interest income	1,338,453	1,210,383	128,070
Trust fees	2,122	3,752	(1,630)
Net fees and commissions	557,178	611,993	(54,815)
Net trading income	211,738	469,571	(257,833)
Net other operating income (expenses)	56,386	(179,453)	235,839
General and administrative expenses	(1,063,419)	(978,896)	(84,523)
Credit cost (A)	(769,484)	(249,922)	(519,562)
Write-off of loans	(302,353)	(141,750)	(160,603)
Provision for specific reserve for possible loan losses	(297,400)	(172,570)	(124,830)
Provision for general reserve for possible loan losses	(104,145)	99,350	(203,495)
Others	(65,585)	(34,952)	(30,633)
Net gains (losses) on stocks	(183,677)	(7,063)	(176,614)
Equity in earnings (losses) of affiliates	(94,876)	(41,760)	(53,116)
Net other income (expenses)	(9,111)	(7,444)	(1,667)
Ordinary profit.....	45,311	831,160	(785,849)
Extraordinary gains (losses).....	(15,815)	97,795	(113,610)
Losses on impairment of fixed assets	(7,363)	(5,161)	(2,202)
Gains on recoveries of written-off claims (B)	1,708	1,355	353
Gains on change in equity	—	103,133	(103,133)
Income before income taxes and minority interests	29,495	928,955	(899,460)
Income taxes:			
Current	(72,238)	(103,900)	31,662
Deferred	(262,405)	(282,538)	20,133
Minority interests in net income	(68,308)	(80,980)	12,672
Net income (loss)	¥ (373,456)	¥ 461,536	¥(834,992)
Total credit cost (A) + (B)	¥ (767,775)	¥ (248,566)	¥(519,209)
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 728.7	¥ 1,022.9	¥ (294.2)

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions – Fees and commissions payments) + (Trading income – 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.)

year's net income. The main factors were recording of an extraordinary gain on change in equity following the merger of a leasing subsidiary in the previous fiscal year, and a more conservative recognition of deferred tax assets based on the harsh business conditions the bank is facing.

Deposits (excluding negotiable certificates of deposit) at the end of the fiscal year under review rose ¥2,878.8 billion in comparison with March 31, 2008, to ¥75,569.4 billion, and negotiable certificates of deposit increased ¥4,383.1

billion, to ¥7,461.2 billion.

Meanwhile, loans and bills discounted rose ¥2,990.4 billion year on year, to ¥65,135.3 billion, and the balance of securities increased ¥5,180.6 billion, to ¥28,698.1 billion.

Net assets amounted to ¥4,611.7 billion, and, of this total, stockholders' equity was ¥2,599.1 billion, lower than a year earlier due to a decrease in retained earnings from recording of a net loss.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2009 (A)	2008 (B)	Increase (decrease) (A) – (B)
Assets.....	¥119,637,224	¥111,955,918	¥7,681,306
Securities	28,698,164	23,517,501	5,180,663
Loans and bills discounted.....	65,135,319	62,144,874	2,990,445
Liabilities.....	115,025,460	106,731,842	8,293,618
Deposits	75,569,497	72,690,624	2,878,873
Negotiable certificates of deposit	7,461,284	3,078,149	4,383,135
Net assets	4,611,764	5,224,076	(612,312)

2. Unrealized Gains (Losses) on Securities

Net unrealized losses on securities as of March 31, 2009 amounted to ¥6.6 billion, a decrease of ¥768.8 billion from the previous fiscal year's net unrealized gains, reflecting a decrease in the value of equities and other factors. Of this

total, net unrealized losses on other securities including "other money held in trust" — which are directly debited to net assets — totaled ¥33.4 billion, a decrease of ¥778.8 billion from the gains of the previous term.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2009				2008		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities	¥26,741	¥ 9,986	¥ 28,155	¥ 1,414	¥ 16,755	¥ 18,379	¥ 1,623
Other securities	(33,176)	(778,596)	356,834	390,011	745,420	1,042,530	297,109
Stocks	7,062	(929,166)	287,380	280,317	936,228	999,414	63,186
Bonds.....	(2,826)	130,066	21,534	24,360	(132,892)	18,645	151,537
Others	(37,412)	20,503	47,920	85,332	(57,915)	24,469	82,385
Other money held in trust.....	(262)	(233)	—	262	(29)	—	29
Total	(6,697)	(768,843)	384,990	391,688	762,146	1,060,909	298,763
Stocks	7,062	(929,166)	287,380	280,317	936,228	999,414	63,186
Bonds.....	24,419	140,363	49,690	25,270	(115,944)	37,025	152,969
Others	(38,180)	19,957	47,920	86,100	(58,137)	24,469	82,607

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 trust in "Monetary claims bought," etc.

2. Unrealized gains (losses) on stocks (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 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.

4. Floating-rate Japanese government bonds which SMFG held as "Other securities" had been carried on the consolidated balance sheet at market values. From the fiscal year ended March 31, 2009, such bonds have been carried at their reasonably estimated amounts in accordance with the "Practical Solution on Measurement of Fair Value of Financial Assets" (Accounting Standards Board of Japan Practical Issues Task Force No. 25). As a result of this accounting change, compared with the former accounting method, "Securities," "Net unrealized gains (losses) on other securities" and "Minority interests" increased by ¥117,757 million, ¥67,741 million and ¥2,508 million, respectively, and "Deferred tax assets" decreased by ¥47,508 million.

3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2009 was 11.47%, 0.91 percentage point higher than at March 31, 2008.

Total capital, which is the numerator in the capital ratio calculation equation, amounted to ¥6,047.8 billion at fiscal year-end, which was ¥617.7 billion lower than at the end of the previous fiscal year. This was due chiefly to lower retained earnings for the fiscal year following the reporting

of a net loss, and greater net unrealized losses on other securities. Risk-adjusted assets, the denominator in the equation, amounted to ¥52,726.5 billion, which was ¥10,390.8 billion lower than at the end of the previous fiscal year, owing chiefly to implementation on March 31, 2009 of the Advanced Internal Ratings-Based Approach for measurement of credit risk-adjusted assets.

Consolidated Capital Ratio

March 31	Millions of yen		
	2009 (A)	2008 (B)	Increase (decrease) (A) – (B)
Tier I capital	¥ 4,335,085	¥ 4,381,464	¥ (46,379)
Tier II capital included as qualifying capital	2,420,968	3,021,872	(600,904)
Deductions	(708,241)	(737,792)	29,551
Total capital	6,047,812	6,665,543	(617,731)
Risk-adjusted assets	52,726,507	63,117,349	(10,390,842)
Consolidated capital ratio	11.47%	10.56%	0.91%
Tier I capital ratio	8.22%	6.94%	1.28%

4. Dividend Policy

In view of the public nature of its business, SMFG has set a fundamental policy of increasing dividends stably and continuously through sustainable growth in corporate value, while enhancing the Group's capital to maintain a sound financial position. By the fiscal year ending March 31, 2010, the final year of its "LEAD THE VALUE" medium-term management plan, SMFG aims for a dividend payout ratio of over 20% on a consolidated net income basis.

Despite this policy, SMFG regrets to announce that it decided to pay a reduced annual dividend of ¥90 per share of common stock for the fiscal year ended March 31, 2009, a year-on-year decrease of ¥30, after taking into account a stock

split implemented in January 2009, and the net loss caused by the turmoil in financial markets, plunging stock prices and rapid deterioration in the global economy since 2008. Annual dividends on preferred stocks were paid in the predetermined amounts for each category of preferred stock.

SMFG will employ its retained earnings to implement strategic initiatives that will increase its corporate value. These measures will be centered, first, on strengthening its position in targeted growth business areas, and, second, on fortifying the Group's business platform for supporting sustainable growth.

5. Deferred Tax Assets

During the fiscal year under review, net deferred tax assets, which are deferred tax assets minus deferred tax liabilities, decreased ¥103.1 billion from the end of the previous fiscal

year to ¥830.3 billion, due chiefly to adoption of a more conservative approach to their recognition, including tougher stress-testing regarding future profitability.

Deferred Tax Assets

March 31	Millions of yen		
	2009 (A)	2008 (B)	Increase (decrease) (A) – (B)
Net deferred tax assets	¥830,370	¥933,481	¥(103,111)
Net deferred tax assets / Tier I capital × 100	19.2%	21.3%	(2.1)%