



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 2008, the six-month period ended September 30, 2008.

1. Operating Results

Operating results for the first half of fiscal 2008 include the results of 282 consolidated subsidiaries (163 in Japan and 119 overseas) and 76 subsidiaries and affiliates accounted for by the equity method (48 in Japan and 28 overseas).

Consolidated gross profit showed a year-on-year increase of ¥45.5 billion, to ¥1,068.1 billion, because of an increase in net interest income owing to a higher balance of loans outstanding in international banking activities, improvement in interest spreads, and other factors. Ordinary profit, after taking account of general and

administrative expenses, credit cost, net losses on stocks, equity in losses of affiliates, and other relevant income and expense items, decreased ¥162.2 billion, to ¥190.9 billion. This decline was primarily due to a rise in credit cost, as a result of a decline in the quality of loan assets accompanying the deterioration in the operating environment for borrowers and the emergence of credit cost related to exposures to certain overseas financial institutions.

Net income after extraordinary losses and income taxes was ¥83.2 billion, a year-on-year decrease of ¥87.3 billion.

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

September 30, 2008 and 2007, and March 31, 2008

	September 30		March 31
	2008	2007	2008
Consolidated subsidiaries	282	185	268
Subsidiaries and affiliates accounted for by the equity method	76	66	74

◆ Income Summary

Six months ended September 30, 2008 and 2007, and year ended March 31, 2008

	Millions of yen		
	Six months ended September 30	Year ended March 31	
	2008	2007	2008
Consolidated gross profit	¥1,068,130	¥1,022,551	¥2,116,248
Net interest income	678,514	599,574	1,210,383
Trust fees	1,268	2,262	3,752
Net fees and commissions	283,999	293,439	611,993
Net trading income	(342)	118,362	469,571
Net other operating income (expenses)	104,690	8,912	(179,453)
General and administrative expenses	(538,960)	(477,357)	(978,896)
Credit cost (A)	(303,048)	(143,490)	(249,922)
Write-off of loans	(153,570)	(65,014)	(141,750)
Provision for specific reserve for possible loan losses	(109,697)	(62,470)	(172,570)
Provision for general reserve for possible loan losses	(24,232)	(12,584)	99,350
Others	(15,546)	(3,421)	(34,952)
Net gains (losses) on stocks	(19,777)	(47,423)	(7,063)
Equity in earnings (losses) of affiliates	(6,138)	19,030	(41,760)
Other income (expenses)	(9,243)	(20,072)	(7,444)
Ordinary profit	190,962	353,237	831,160
Extraordinary gains (losses)	(407)	(2,903)	97,795
Losses on impairment of fixed assets	(1,331)	(3,205)	(5,161)
Gains on collection of written-off claims (B)	924	386	1,355
Gains on change in equity due to mergers of subsidiaries	—	—	103,133
Income before income taxes and minority interests	190,555	350,334	928,955
Income taxes:			
Current	(46,433)	(53,951)	(103,900)
Deferred	(15,790)	(89,270)	(282,538)
Minority interests in net income	(45,051)	(36,519)	(80,980)
Net income	¥ 83,281	¥ 170,592	¥ 461,536
Total credit cost (A) + (B)	¥ (302,124)	¥ (143,104)	¥ (248,566)
[Reference]			
Consolidated banking profit (Billions of yen)	¥ 410.0	¥ 499.6	¥ 1,022.9

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, 2008, were at ¥73,583.0 billion, an ¥892.4 billion increase compared with the previous fiscal year-end. Negotiable certificates of deposit were at ¥3,254.6 billion, a decrease of ¥176.5 billion over the same period.

Loans and bills discounted increased ¥1,332.8 billion to ¥63,477.7 billion, while securities increased ¥1,721.6 billion to ¥21,795.8 billion.

Net assets were ¥5,257.7 billion, a decrease of ¥33.6 billion over the same period.

◆ Assets, Liabilities and Net Assets

September 30, 2008 and 2007, and March 31, 2008

	Millions of yen		
	September 30		March 31
	2008	2007	2008
Assets	¥111,033,760	¥105,927,629	¥111,955,918
Securities	21,795,888	20,599,844	23,517,501
Loans and bills discounted.....	63,477,758	60,193,566	62,144,874
Liabilities.....	105,776,012	100,658,776	106,731,842
Deposits	73,583,098	72,925,766	72,690,624
Negotiable certificates of deposit	3,254,678	2,528,292	3,078,149
Net assets	5,257,748	5,268,853	5,224,076

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2008 were ¥625.6 billion, which was a decrease of ¥136.4 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 ¥125.9 billion over the same period, to ¥619.4 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, 2008 and March 31, 2008

	September 30, 2008				March 31, 2008		
	Net unrealized gains (losses) (A)		Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)		Unrealized losses
	(A) – (B)						
Held-to-maturity securities.....	¥ 6,289	¥ (10,466)	¥ 10,554	¥ 4,264	¥ 16,755	¥ 18,379	¥ 1,623
Other securities	619,540	(125,880)	871,503	251,963	745,420	1,042,530	297,109
Stocks	785,663	(150,565)	853,934	68,271	936,228	999,414	63,186
Bonds.....	(59,514)	73,378	2,579	62,093	(132,892)	18,645	151,537
Others.....	(106,608)	(48,693)	14,989	121,598	(57,915)	24,469	82,385
Other money held in trust	(136)	(107)	—	136	(29)	—	29
Total	625,694	(136,452)	882,058	256,363	762,146	1,060,909	298,763
Stocks	785,663	(150,565)	853,934	68,271	936,228	999,414	63,186
Bonds.....	(52,881)	63,063	13,133	66,014	(115,944)	37,025	152,969
Others.....	(107,087)	(48,950)	14,989	122,077	(58,137)	24,469	82,607

Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Deposits with banks" and beneficiary claims on loan trusts in "Commercial paper and other debt purchased."

2. Unrealized gains (losses) on stocks are calculated mainly using the average market prices during the final month of the reporting period. The remainder of securities are valued at market prices as of the consolidated balance sheet date.

3. Since "Other securities" and "Other money held in trust" are valued at market prices, the figures in the table show 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—AFS securities" had been carried on the consolidated balance sheet at market values. From the six months ended September 30, 2008, 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 Standard Board of Japan Practical Issues Task Force No. 25, issued on October 28, 2008). As a result of this accounting change, compared with the former accounting method, "Securities," "Net unrealized gains on other securities," and "Minority interests" increased by ¥153,847 million, ¥88,504 million, and ¥3,287 million, respectively, and "Deferred tax assets" decreased by ¥62,055 million.

3. Capital Ratio

SMFG's capital ratio (BIS guidelines) on a consolidated basis as of September 30, 2008 was 10.25%.

Total capital, which constitutes the numerator in the capital ratio calculation equation, was ¥6,507.1 billion. On the other hand, risk-adjusted assets, the denominator in the equation, were ¥63,432.5 billion.

◆ Capital Ratio

September 30, 2008 and 2007, and March 31, 2008

	Millions of yen		
	September 30		March 31
	2008	2007	2008
Tier I capital	¥ 4,491,317	¥ 4,069,277	¥ 4,381,464
Tier II capital included as qualifying capital	2,746,760	3,481,365	3,021,872
Deductions	(730,976)	(738,262)	(737,792)
Total capital	6,507,101	6,812,380	6,665,543
Risk-adjusted assets	63,432,507	64,251,120	63,117,349
Capital ratio	10.25%	10.60%	10.56%

4. Deferred Tax Assets

In the recording of deferred tax assets, SMFG has continued to adopt a conservative stance. After offsetting deferred tax liabilities,

net deferred tax assets were ¥1,003.1 billion at September 30, 2008, ¥69.7 billion higher than at the end of fiscal 2007.

◆ Deferred Tax Assets

September 30, 2008 and 2007, and March 31, 2008

	Millions of yen		
	September 30		March 31
	2008	2007	2008
Net deferred tax assets	¥1,003,197	¥860,287	¥933,481
Net deferred tax assets / Tier I capital × 100	22.3%	21.1%	21.3%