



# 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, 2010.

### 1. Operating Results

Operating results for fiscal 2009 include the results of 307 consolidated subsidiaries and 58 subsidiaries and affiliates accounted for by the equity method.

Gross profit increased ¥70.7 billion year on year, to ¥2,236.6 billion. The principal reasons for this increase were 1) an increase in net interest income in SMBC's international operations as a result of a decline in U.S. interest rates and an improvement in net interest margins, and 2) an increase

in net fees and commissions resulting from the acquisition of Nikko Cordial Securities. After adjusting for general and administrative expenses, credit cost, net losses on stocks, equity in losses of affiliates, and other items, ordinary profit increased ¥513.4 billion year on year, to ¥558.7 billion. The main factors were decreases in both credit cost and losses on devaluation of stocks resulting from the recovery in stock prices.

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

March 31	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries.....	307	288	19
Subsidiaries and affiliates accounted for by the equity method.....	58	79	(21)

### Income Summary

	Millions of yen		
Year ended March 31	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit.....	¥2,236,634	¥2,165,880	¥ 70,754
Net interest income.....	1,380,912	1,338,453	42,459
Trust fees.....	1,778	2,122	(344)
Net fees and commissions.....	608,616	557,178	51,438
Net trading income.....	194,087	211,738	(17,651)
Net other operating income.....	51,238	56,386	(5,148)
General and administrative expenses.....	(1,161,302)	(1,063,419)	(97,883)
Credit cost (A).....	(473,937)	(769,484)	295,547
Write-off of loans.....	(176,672)	(302,353)	125,681
Provision for specific reserve for possible loan losses.....	(184,257)	(297,400)	113,143
Provision for general reserve for possible loan losses.....	(17,944)	(104,145)	86,201
Others.....	(95,063)	(65,585)	(29,478)
Net gains (losses) on stocks.....	(10,078)	(183,677)	173,599
Equity in earnings (losses) of affiliates.....	(21,542)	(94,876)	73,334
Net other income (expenses).....	(11,003)	(9,111)	(1,892)
Ordinary profit.....	558,769	45,311	513,458
Extraordinary gains (losses).....	(671)	(15,815)	15,144
Losses on impairment of fixed assets.....	(12,856)	(7,363)	(5,493)
Gains on recoveries of written-off claims (B).....	968	1,708	(740)
Income before income taxes and minority interests.....	558,097	29,495	528,602
Income taxes:			
Current.....	(104,110)	(72,238)	(31,872)
Deferred.....	(74,759)	(262,405)	187,646
Minority interests in net income.....	(107,668)	(68,308)	(39,360)
Net income (loss).....	¥ 271,559	¥ (373,456)	¥645,015
Total credit cost (A) + (B).....	¥ (472,968)	¥ (767,775)	¥294,807
[Reference]			
Consolidated banking profit (Billions of yen).....	¥ 832.3	¥ 728.7	¥ 103.6

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 × Ownership ratio – Internal transactions (dividends, etc.)

After adjusting ordinary profit for extraordinary gains and losses, income taxes, and other items, net income was ¥271.5 billion, a year-on-year increase of ¥645.0 billion from the previous fiscal year's net loss.

Deposits (excluding negotiable certificates of deposit) at the end of the fiscal year under review rose ¥3,079.0 billion in comparison with March 31, 2009, to ¥78,648.5 billion, and negotiable certificates of deposit decreased ¥465.6

billion, to ¥6,995.6 billion.

Meanwhile, loans and bills discounted decreased ¥2,434.2 billion year on year, to ¥62,701.0 billion, and the balance of securities decreased ¥74.1 billion, to ¥28,623.9 billion.

Net assets amounted to ¥7,000.8 billion, and, of this total, stockholders' equity was ¥4,644.6 billion, due to issuance of new shares and an increase in retained earnings from recording of net income.

## Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Assets.....	<b>¥123,159,513</b>	¥119,637,224	¥3,522,289
Securities.....	<b>28,623,968</b>	28,698,164	(74,196)
Loans and bills discounted.....	<b>62,701,033</b>	65,135,319	(2,434,286)
Liabilities.....	<b>116,158,708</b>	115,025,460	1,133,248
Deposits.....	<b>78,648,595</b>	75,569,497	3,079,098
Negotiable certificates of deposit.....	<b>6,995,619</b>	7,461,284	(465,665)
Net assets.....	<b>7,000,805</b>	4,611,764	2,389,041

## 2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2010 amounted to ¥645.0 billion, an increase of ¥651.7 billion from the previous fiscal year-end, reflecting an increase in the value of equities and other factors. Of this total, net

unrealized gains on other securities including “other money held in trust” — which are directly debited to net assets — totaled ¥586.4 billion, an increase of ¥619.9 billion from the losses of the previous term.

## Unrealized Gains (Losses) on Securities

March 31	Millions of yen							
	2010				2009			
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses	
Held-to-maturity securities.....	<b>¥ 58,610</b>	<b>¥ 31,869</b>	<b>¥ 59,344</b>	<b>¥ 734</b>	¥26,741	¥ 28,155	¥ 1,414	
Other securities.....	<b>586,414</b>	<b>619,590</b>	<b>799,355</b>	<b>212,941</b>	(33,176)	356,834	390,011	
Stocks.....	<b>410,984</b>	<b>403,922</b>	<b>543,745</b>	<b>132,761</b>	7,062	287,380	280,317	
Bonds.....	<b>123,658</b>	<b>126,484</b>	<b>131,821</b>	<b>8,163</b>	(2,826)	21,534	24,360	
Others.....	<b>51,771</b>	<b>89,183</b>	<b>123,788</b>	<b>72,017</b>	(37,412)	47,920	85,332	
Other money held in trust.....	<b>62</b>	<b>324</b>	<b>157</b>	<b>95</b>	(262)	—	262	
Total.....	<b>645,087</b>	<b>651,784</b>	<b>858,858</b>	<b>213,770</b>	(6,697)	384,990	391,688	
Stocks.....	<b>410,984</b>	<b>403,922</b>	<b>543,745</b>	<b>132,761</b>	7,062	287,380	280,317	
Bonds.....	<b>182,369</b>	<b>157,950</b>	<b>191,162</b>	<b>8,793</b>	24,419	49,690	25,270	
Others.....	<b>51,733</b>	<b>89,913</b>	<b>123,950</b>	<b>72,216</b>	(38,180)	47,920	86,100	

- 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 (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.
- Among net unrealized gains (losses) on other securities as of March 31, 2010, ¥105 million that is recognized in the fiscal year's earnings by applying fair value hedge accounting is not included in net assets.
4. Floating-rate Japanese government bonds which SMFG held as “Other securities” are carried on the consolidated 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).
5. “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, partially revised on March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 10, 2008) became effective from the fiscal year ending on and after March 31, 2010. SMFG has applied them from the fiscal year ended March 31, 2010.
- As a result of this accounting change, compared with the former accounting method, “Monetary claims bought” increased by ¥8,710 million, “Securities” increased by ¥41,914 million, “Net unrealized gains (losses) on other securities” increased by ¥39,315 million, “Deferred tax assets” related to net unrealized gains (losses) on other securities decreased by ¥27,056 million, and “Reserve for possible loan losses” decreased by ¥34,999 million.

### 3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2010 was 15.02%, 3.55 percentage points higher than at March 31, 2009.

Total capital, which is the numerator in the capital ratio calculation equation, rose ¥2,080.4 billion year on year, to ¥8,128.2 billion. This was due mainly to increases in

capital stock and capital surplus resulting from the issuance of new shares. Risk-adjusted assets, the denominator in the equation, increased ¥1,357.9 billion year on year, to ¥54,084.4 billion due mainly to the acquisition of Nikko Cordial Securities.

#### Consolidated Capital Ratio

March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Tier I capital .....	¥ 6,032,280	¥ 4,335,085	¥1,697,195
Tier II capital included as qualifying capital .....	2,563,853	2,420,968	142,885
Deductions.....	(467,906)	(708,241)	240,335
Total capital.....	8,128,228	6,047,812	2,080,416
Risk-adjusted assets .....	54,084,471	52,726,507	1,357,964
Consolidated capital ratio .....	15.02%	11.47%	3.55%
Tier I capital ratio .....	11.15%	8.22%	2.93%

### 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 enterprise value, while enhancing the Group's capital to maintain a sound financial position. SMFG aims for a dividend payout ratio of over 20% on a consolidated net income basis, and its fundamental policy is to distribute dividends from retained earnings twice a year in the form of an interim dividend and a yearend dividend. An interim dividend can be declared by the Board of Directors, with September 30 of each year as the recorded date, but the approval of shareholders at the annual general meeting is required to pay a yearend dividend.

After taking into account the fiscal 2009 business performance, SMFG has decided to pay a term-end dividend of ¥100 per share of common stock for the fiscal year, a year-on-year increase of ¥10, and the predetermined amounts for each category of preferred stock.

SMFG will employ its retained earnings to increase its enterprise value by investing mainly in growth business areas in order to build a business portfolio for achieving sustainable growth.

### 5. Deferred Tax Assets

Net deferred tax assets decreased ¥128.3 billion from the end of the previous fiscal year to ¥702.0 billion. This was mainly attributable to the posting of income before income taxes and an increase in deferred tax liabilities resulting from an improvement in unrealized gains on other securities due

to higher stock prices.

SMFG takes a conservative approach to recognizing deferred tax assets in order to secure a sound financial position.

#### Deferred Tax Assets

March 31	Millions of yen		
	2010 (A)	2009 (B)	Increase (decrease) (A) – (B)
Net deferred tax assets .....	¥702,065	¥830,370	¥(128,305)
Net deferred tax assets / Tier I capital × 100 .....	11.6%	19.2%	(7.6)%