

# Overview of FY3/2014 performance and summary of new medium-term management plan

May 14, 2014

**Sumitomo Mitsui Financial Group, Inc.**

# FY3/2014 summary

- Recorded highest ever net income of JPY 835.4 bn on a SMFG consolidated basis
  - Continued to exceed all financial targets of the medium-term management plan (FY2011 to FY2013)
- SMBC's net income reached JPY 605.3 bn mainly due to realized gains on equity index-linked investment trusts in the Treasury Unit and net reversal of total credit cost
  - Other group companies such as SMBC Nikko Securities also showed steady results

## Per share information (SMFG consolidated)

	FY3/14 results	YOY change	FY3/15 targets
Net income	JPY 611.45	+JPY 24.96	JPY 497.34
ROE	13.8%	(1.0)%	
Dividend	JPY 120	±JPY 0 <sup>*1</sup>	JPY 120
of which Ordinary dividend	JPY 120	+JPY 10	JPY 120

	Mar. 31, 2014	Change from Mar. 31, 2013
Net assets	JPY 5,323.87	+JPY 637.18

## Financial targets of medium-term management plan (FY2011-2013)

	Mar. 2014 Preliminary	Mar. 2014 targets
Common Equity Tier 1 capital ratio		
Basel 3 fully-loaded basis <sup>*2</sup>	10.3%	8%
Basel 3 transitional basis	10.63%	

	FY3/14	FY3/14 targets
Consolidated net income RORA	1.4%	0.8%
Consolidated overhead ratio	53.0%	50% - 55%
SMBC non-consolidated overhead ratio	47.9%	45% - 50%
Overseas banking profit ratio <sup>*3</sup>	33.0%	30%

\*1 Includes commemorative dividend of JPY 10 per share for SMFG's 10<sup>th</sup> anniversary in FY3/13

\*2 Based on the definition as of Mar. 31, 2019 \*3 Based on the medium-term management plan assumed exchange rate of 1 USD=JPY 85

# FY3/2014 financial results and FY3/2015 earnings targets

## Income statement

	(JPY bn)	FY3/2014 results	YOY change	1H, FY3/2015	FY3/2015 targets	
SMFG <consolidated>	<b>Consolidated gross profit</b>	USD28.2bn <sup>*1</sup>	2,898.2	+105.3		
	Variance with SMBC non-consolidated		1,340.0	+87.2		
	<b>General and administrative expenses</b>		(1,569.9)	(73.7)		
	<b>Total credit cost</b>		49.1	+222.2		
	<b>Ordinary profit</b>		1,432.3	+358.6	560	1,110
	Variance with SMBC non-consolidated		479.8	+77.0	160	380
	<b>Net income</b>	USD8.1bn <sup>*1</sup>	835.4	+41.3	330	680
	Variance with SMBC non-consolidated		230.1	+53.8	50	170

## Contribution of subsidiaries to SMFG's Net income

	(JPY bn)	FY3/2014	YOY change
<b>SMBC Nikko Securities</b>		63	+18
<b>SMBC Consumer Finance</b>		29	(19)
<b>Sumitomo Mitsui Finance and Leasing</b>		25	+6
<b>SMBC Guarantee</b>		20	+10
<b>Cedyna</b>		16	+3
<b>Sumitomo Mitsui Card</b>		16	(3)
<b>SMBC Friend Securities</b>		10	(0)

	(JPY bn)	FY3/2014 results	YOY change	1H, FY3/2015	FY3/2015 targets	
SMBC <non-consolidated>	<b>Gross banking profit</b>	USD15.1bn <sup>*1</sup>	1,558.1	+18.0	760	1,540
	of which Net interest income		1,064.9	+93.7		
	<b>Expenses<sup>*2</sup></b>		(745.7)	(18.0)	(390)	(790)
	<b>Banking profit<sup>*3</sup></b>		812.4	0.0	370	750
	<b>Total credit cost</b>		123.9	+143.4	50	0
	<b>Gains (losses) on stocks</b>		106.4	+142.1		
	<b>Ordinary profit</b>		952.5	+281.6	400	730
	<b>Income taxes - current and deferred</b>		(341.2)	(293.6)		
<b>Net income</b>	USD5.9bn <sup>*1</sup>	605.3	(12.5)	280	510	

- Includes profits from equity index-linked investment trusts

## Credit ratings (SMBC)

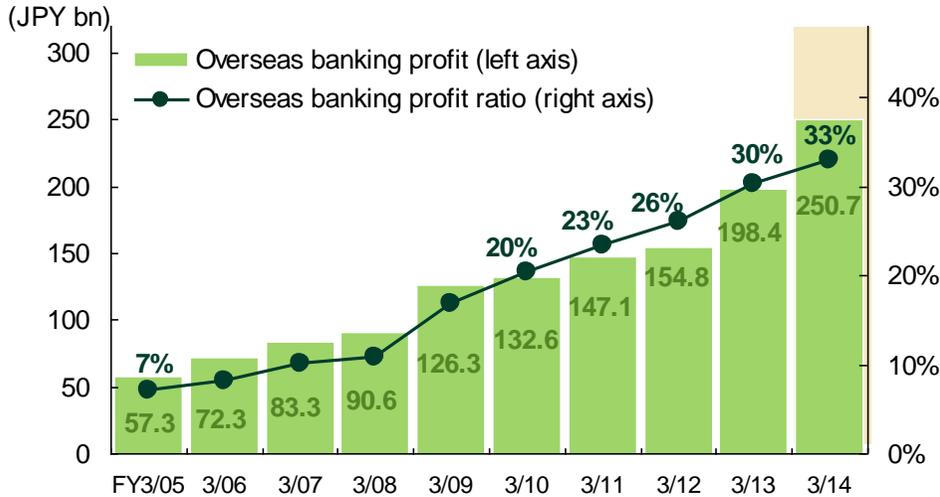
<b>Moody's</b>	Aa3 / P-1
<b>S&amp;P</b>	A+ / A-1
<b>Fitch</b>	A- / F1
<b>R&amp;I</b>	AA- / a-1+
<b>JCR</b>	AA / J-1+

\*1 Translated into USD at period-end exchange rate of USD 1 = JPY 102.88 \*2 Excluding non-recurring losses

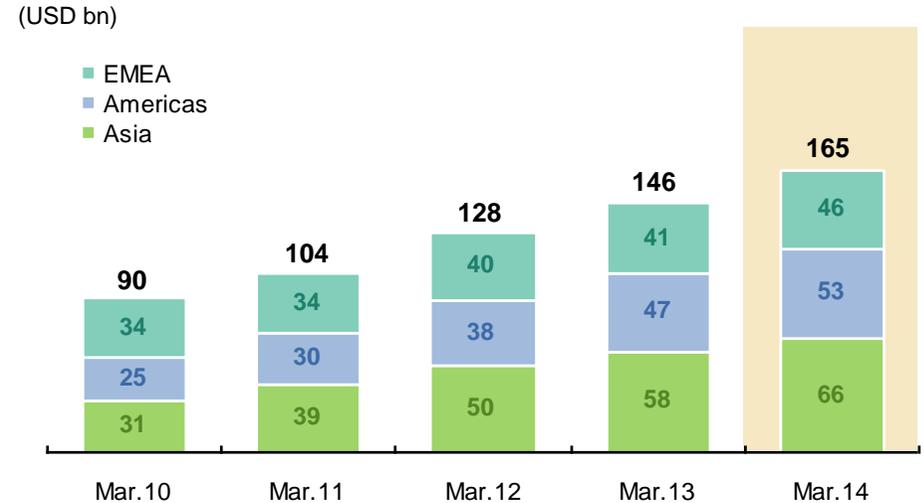
\*3 Before provision for general reserve for possible loan losses

# International business

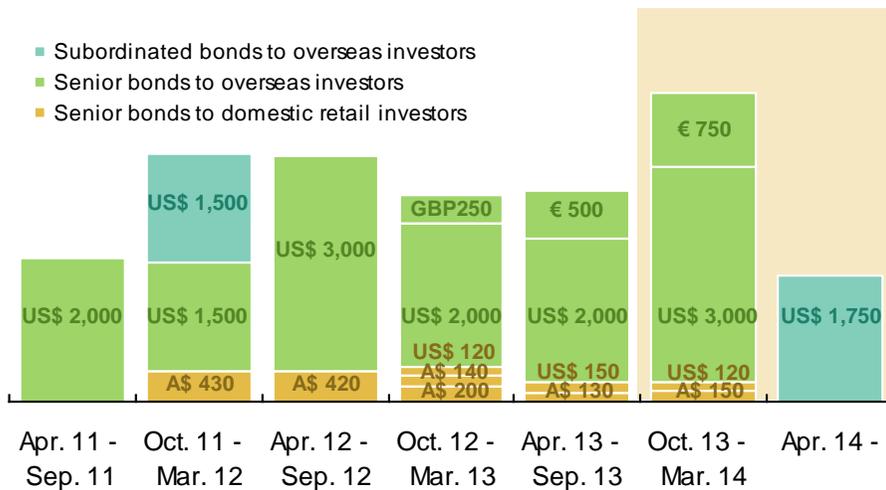
## Overseas banking profit and ratio\*1



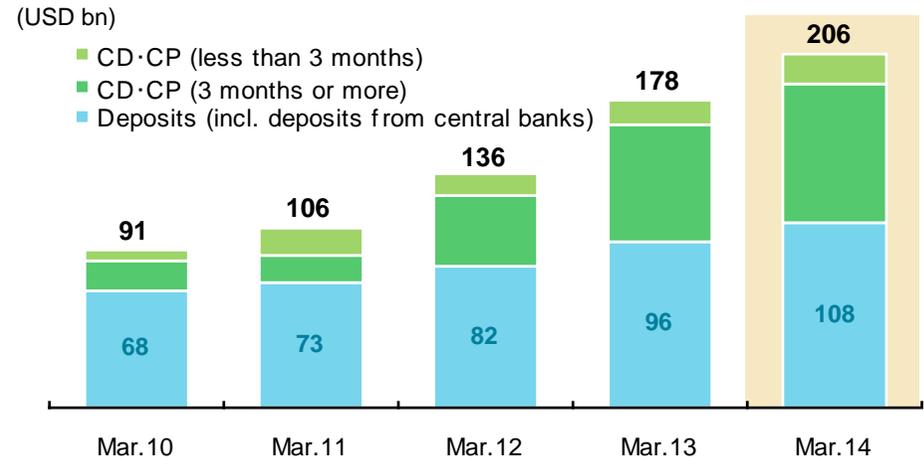
## Overseas loan balance\*2



## Issue amount of foreign-currency denominated bonds (mn)



## Overseas deposit balance\*2



Foreign currency bonds outstanding (USD bn)	Senior bonds	Subordinated bonds
13.6	19.2	3.2
3.2	3.3	

\*1 Managerial accounting basis. Sum of SMBC and major overseas subsidiary banks. Based on the medium-term management plan assumed exchange rate of USD1=JPY85 since FY3/12

\*2 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China). Translated into USD at respective period-end exchange rates

# SMBC Nikko Securities

## Financial results (consolidated)

(JPY bn)	FY3/2013	FY3/2014	YOY change
Net operating revenue	274.7	327.9	+53.2
SG&A expenses	(200.2)	(227.8)	(27.6)
Ordinary income	75.7	102.1	+26.4
Net income	45.7	64.6	+18.9

## League tables (Apr. 2013-Mar. 2014)

- Awarded “Yen Bond House of the Year 2013” by *International Financing Review*
- Awarded “Samurai Bond House of the Year” by *Thomson Reuters*

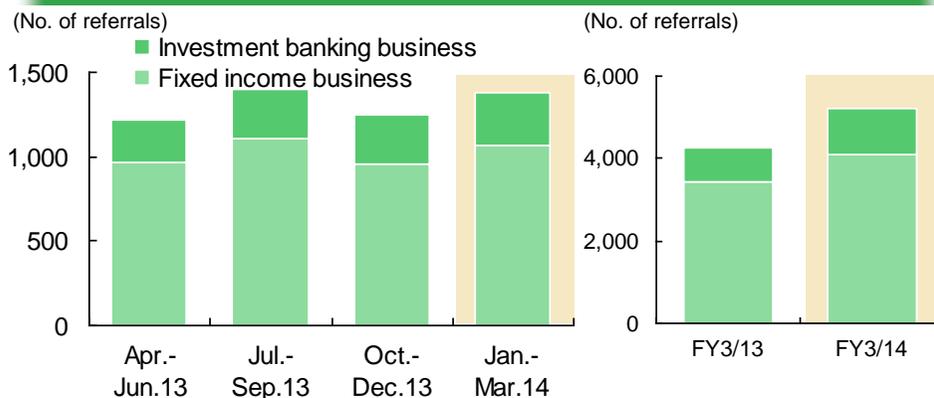


	Rank	Mkt share
Global equity & equity-related (book runner, underwriting amount) <sup>*2</sup>	#3	13.9%
JPY denominated bonds (lead manager, underwriting amount) <sup>*3</sup>	#5	14.9%
Financial advisor (M&A, transaction volume) <sup>*4</sup>	#4	17.1%
Financial advisor (M&A, No. of deals) <sup>*4</sup>	#3	3.0%

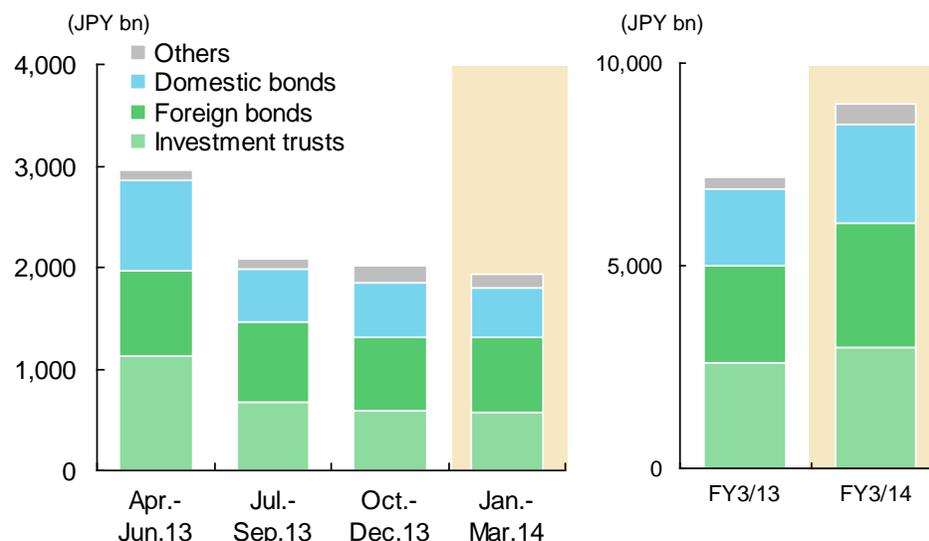
## Synergies between SMBC and SMBC Nikko

- Expanded bank-securities integration in Oct. 2013 (Doubled number of trial offices to 31 at SMBC and 22 at SMBC Nikko)
- Established a new bank-securities dual-role department in Nov. 2013

### Number of referrals from SMBC to SMBC Nikko <sup>\*1</sup>



## Product Sales



\*1 Excludes number of referrals between offices conducting bank-securities integration model as a trial run

\*2 Source: SMBC Nikko, based on data from Thomson Reuters. Japanese corporate related only

\*3 Source: SMBC Nikko. Consisting of corporate bonds, FILP agency bonds, municipality bonds, and samurai bonds

\*4 Source: Thomson Reuters. Japanese corporate related only. Excluding real estate deals

# SMBC Consumer Finance

## Financial results (consolidated)

(JPY bn)	FY3/2013	FY3/2014	YOY change
<b>Operating income</b>	187.0	194.8	+7.8
Losses on interest repayments within Expenses	-	(38.7)	(38.7)
<b>Ordinary profit</b>	51.8	26.5	(25.3)
<b>Net income</b>	48.1	29.3	(18.8)
<b>Consumer loans outstanding</b>	742.8	937.6	
<b>Allowance on interest repayments</b>	203.3	152.7	
<b>Loan guarantee</b>	659.6	752.5	
for regional financial institutions, etc.	232.7	274.3	

No. of companies with guarantee agreements:  
**187**  
(as of Mar. 2014)

## Overseas business

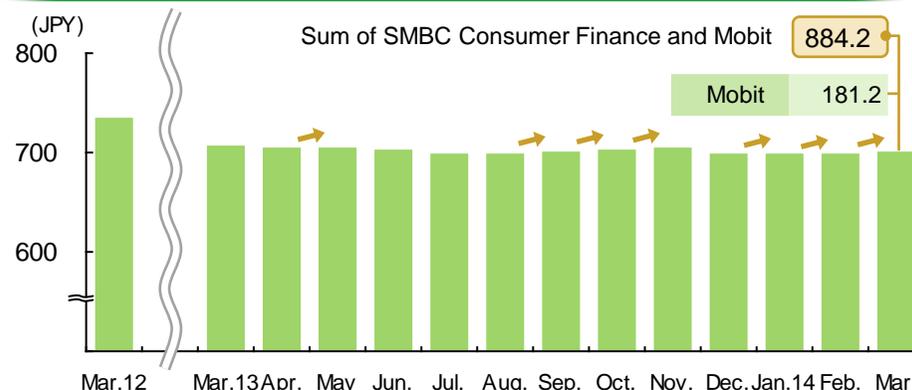
- Started operation in Chongqing, Chengdu, and Wuhan.
- Expanded network in mainland China to six offices

(JPY bn)	Mar. 31, 2013	Mar. 31, 2014	Change from Mar. 31, 2013
<b>Consumer loans outstanding*2</b>	35.4	47.5	+12.0
of which <b>Hong Kong</b>	24.4	28.7	+4.3

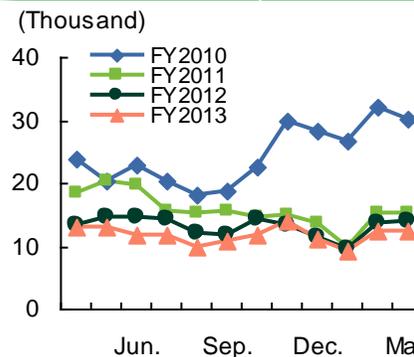
## Financing business\*1

- Made Mobit a wholly-owned subsidiary in Mar. 2014

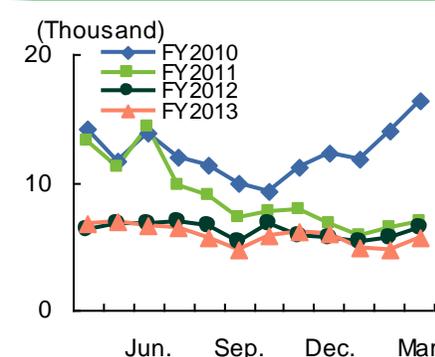
Consumer loans outstanding on a non-consolidated basis



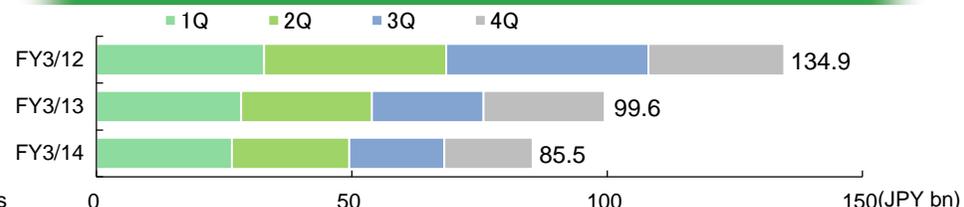
No. of transaction-record disclosure requests



No. of interest refund claims



Cash-out related with refund claims



# FY3/2014 performance by segment

	(JPY bn)	Gross profit		Expenses		Consolidated net business profit* <sup>1</sup>	
			YOY change		YOY change		YOY change
<b>Total</b>		2,909.5	+107.1	(1,509.3)	(64.8)	1,242.4	+76.2
<b>Banking business</b>		1,806.4	+7.8	(901.3)	(24.4)	919.0	+27.7
of which							
<b>SMBC</b>		1,558.1	+18.0	(745.7)	(18.0)	812.4	+0.0
<b>Leasing</b>		137.3	+16.9	(54.7)	(3.9)	90.9	+21.6
of which							
<b>Sumitomo Mitsui Finance and Leasing*<sup>2</sup></b>		127.9	+13.1	(54.8)	(3.1)	77.3	+18.3
<b>Securities services</b>		397.8	+56.3	(278.6)	(31.3)	118.5	+26.3
of which							
<b>SMBC Nikko Securities</b>		319.7	+50.8	(221.8)	(26.9)	97.2	+23.8
<b>Consumer finance business</b>		550.0	+23.5	(346.2)	(15.0)	96.1	(26.1)
of which							
<b>Sumitomo Mitsui Card</b>		189.9	+6.8	(139.6)	(7.0)	43.7	(1.1)
<b>Cedyna</b>		154.6	+1.1	(116.5)	+1.7	11.3	(2.4)
<b>SMBC Consumer Finance*<sup>2</sup></b>		181.8	+16.0	(75.5)	(9.3)	26.5	(25.4)
<b>Other businesses*<sup>3</sup></b>		18.0	+2.6	71.5	+9.8	17.9	+26.7

\*1 Consolidated net business profit = SMBC's non-consolidated banking profit (before provision for general reserve for possible loan losses) + SMFG's non-consolidated ordinary profit + Other subsidiaries' ordinary profit (excluding non-recurring factors) + Equity method affiliates' ordinary profit X Ownership ratio - Internal transactions (dividends, etc.) \*2 On a consolidated basis \*3 Includes profits/losses to be offset as internal transactions between segments

# Performance by SMBC's business unit\*1

## Banking profit by business unit

		(JPY bn)	FY3/13	FY3/14	YOY change*2
Consumer Banking Unit	Gross banking profit	374.9	339.0	(24.5)	
	Expenses	(284.4)	(284.7)	+0.7	
	<b>Banking profit</b>	<b>90.5</b>	<b>54.3</b>	<b>(23.8)</b>	
Middle Market Banking Unit	Gross banking profit	412.2	399.3	(7.8)	
	Expenses	(216.7)	(219.1)	(1.4)	
	<b>Banking profit</b>	<b>195.5</b>	<b>180.2</b>	<b>(9.2)</b>	
Corporate Banking Unit	Gross banking profit	208.0	225.6	+7.6	
	Expenses	(39.6)	(40.3)	(1.0)	
	<b>Banking profit</b>	<b>168.4</b>	<b>185.3</b>	<b>+6.6</b>	
International Banking Unit (IBU)	Gross banking profit	240.5	296.0	+19.4	
	Expenses	(72.9)	(89.3)	(10.3)	
	<b>Banking profit</b>	<b>167.6</b>	<b>206.7</b>	<b>+9.1</b>	
Marketing units	Gross banking profit	1,235.6	1,259.9	(5.3)	
	Expenses	(613.6)	(633.4)	(12.0)	
	<b>Banking profit</b>	<b>622.0</b>	<b>626.5</b>	<b>(17.3)</b>	
Treasury Unit	Gross banking profit	295.3	325.5	+30.2	
	Expenses	(21.0)	(23.0)	(1.7)	
	<b>Banking profit</b>	<b>274.3</b>	<b>302.5</b>	<b>+28.5</b>	
Headquarters	Gross banking profit	9.2	(27.3)	(6.9)	
	Expenses	(93.1)	(89.3)	(4.3)	
	<b>Banking profit</b>	<b>(83.9)</b>	<b>(116.6)</b>	<b>(11.2)</b>	
Total	Gross banking profit	1,540.1	1,558.1	+18.0	
	Expenses	(727.7)	(745.7)	(18.0)	
	<b>Banking profit</b>	<b>812.4</b>	<b>812.4</b>	<b>+0.0</b>	

## Gross banking profit by product

		(JPY bn)	FY3/14	YOY change*2
of which:	Income on domestic loans		446.6	(13.4)
	Income on domestic yen deposits		120.8	(5.7)
	IBU's interest related income*3		180.5	+13.8
<b>Interest income</b>			<b>819.3</b>	<b>(8.4)</b>
of which:	Investment trust		43.8	(6.3)
	Single premium type permanent life insurance		8.3	(4.1)
	Level premium insurance		8.4	(3.8)
	Income related to financial consulting for retail customers		68.2	(11.8)
of which:	Loan syndication		61.0	(0.4)
	Structured finance*4		63.2	+6.5
	Real estate finance*4		29.9	(2.1)
	Income related to IB business*4		179.5	+3.9
of which:	Sales of derivatives		23.5	+3.8
	Money remittance, electronic banking		91.9	(0.1)
	Foreign exchange		43.3	+0.7
	IBU's non-interest income*3		124.1	+7.1
<b>Non-interest income</b>			<b>440.6</b>	<b>+3.1</b>
<b>Gross banking profit of Marketing units</b>			<b>1259.9</b>	<b>(5.3)</b>

Adjustment of interest rates and exchange rates, etc.: +29.6

Nominal YOY change : +24.3

## Average loan balance and spread by business unit

	(JPY tn, %)	Balance		Spread	
		FY3/14	YOY change*2	FY3/14	YOY change*2
Domestic loans		47.3	+1.5	0.97	(0.07)
of which					
Consumer Banking Unit		14.9	(0.2)	1.40	(0.03)
Middle Market Banking Unit*5		17.0	+0.6	0.96	(0.11)
Corporate Banking Unit		12.2	+0.7	0.66	+0.01
IBU's interest earning assets*6 (USD bn, %)		188.2	+16.5	1.18	+0.01

\*1 SMBC non-consolidated. Managerial accounting basis \*2 After adjustments of interest rates and exchange rates, etc.

\*3 Includes profit from Japanese corporations in Hong Kong Branch and Taipei Branch \*4 Includes interest income

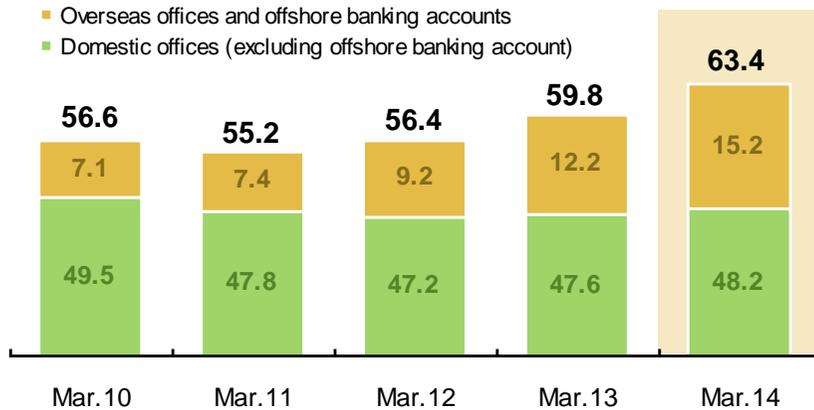
\*5 Excludes loans to the Special Account for Allotment of Local Allocation Tax and Local Transfer Tax, etc.

\*6 Sum of loans, trade bills and securities. Sum of SMBC, SMBC Europe and SMBC (China)

# Trends in key figures

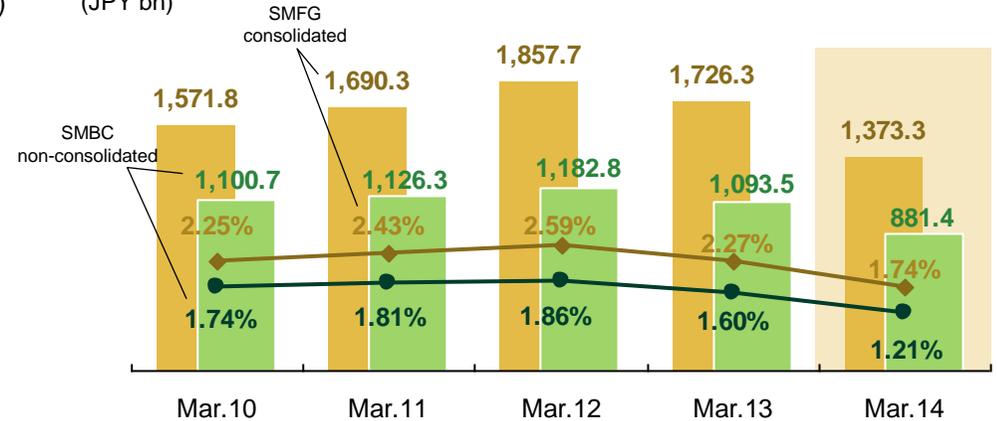
## Loan balance

(JPY tn) (SMBC non-consolidated)



## NPLs and NPL ratio\*2

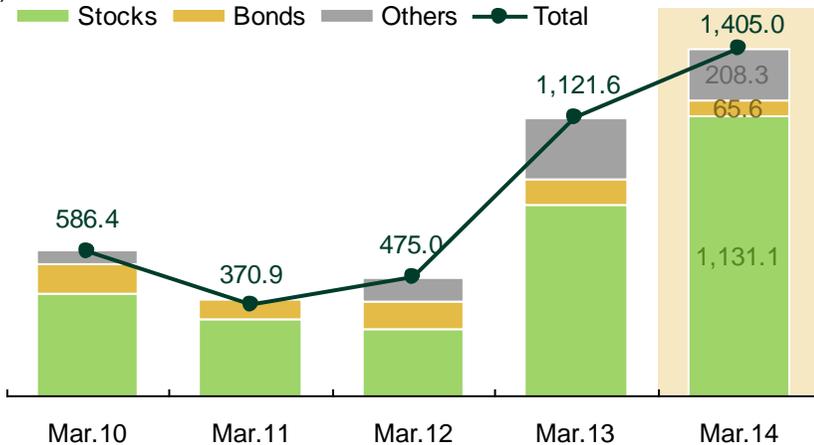
(JPY bn)



Coverage ratio	Mar.13		Mar.14	
	SMFG consolidated	SMBC non-consolidated	SMFG consolidated	SMBC non-consolidated
	85.84%	92.63%	83.74%	88.54%

## Unrealized gains (losses) on other securities

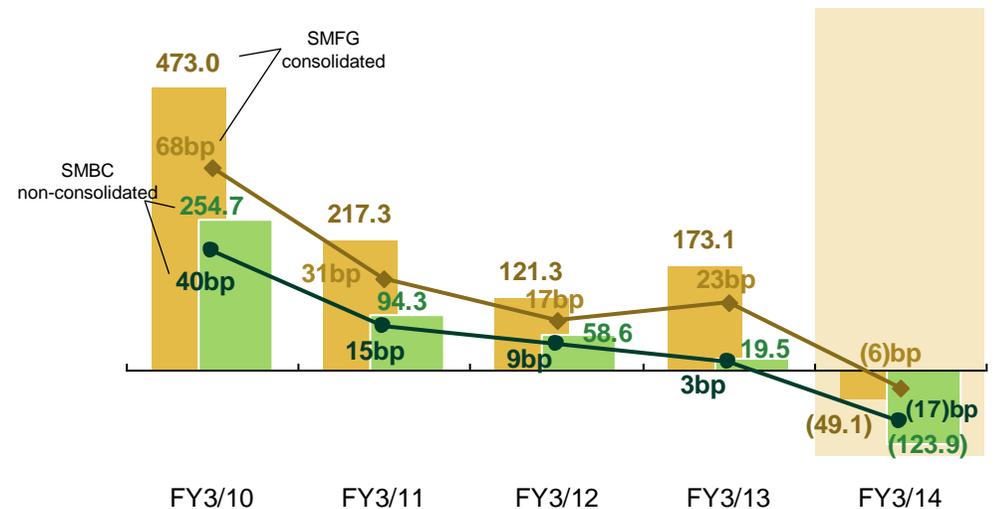
(JPY bn) (SMFG consolidated)



JGBs classified as other securities*1	JPY 20.7 tn	JPY 9.5 tn

## Total credit cost and Total credit cost ratio\*3

(JPY bn)



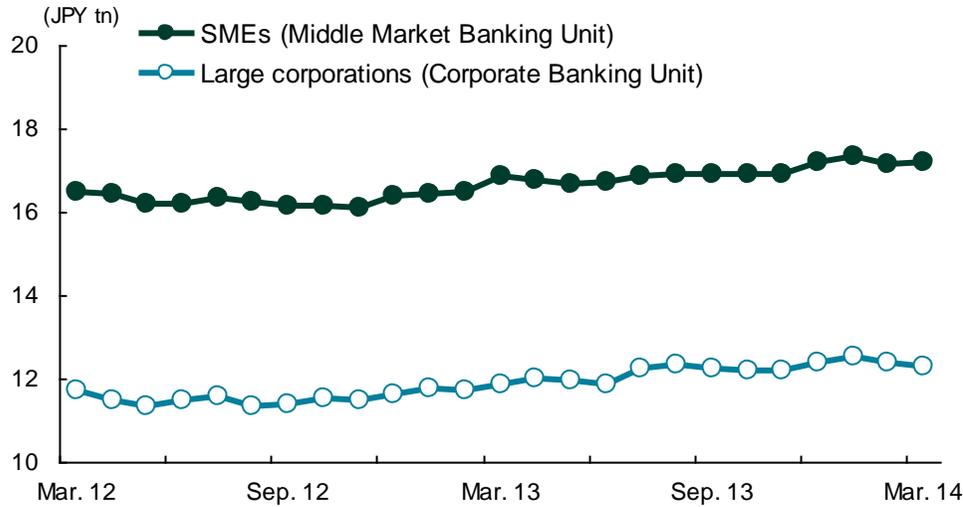
\*1 SMBC non-consolidated basis. Balance sheet amount

\*2 NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

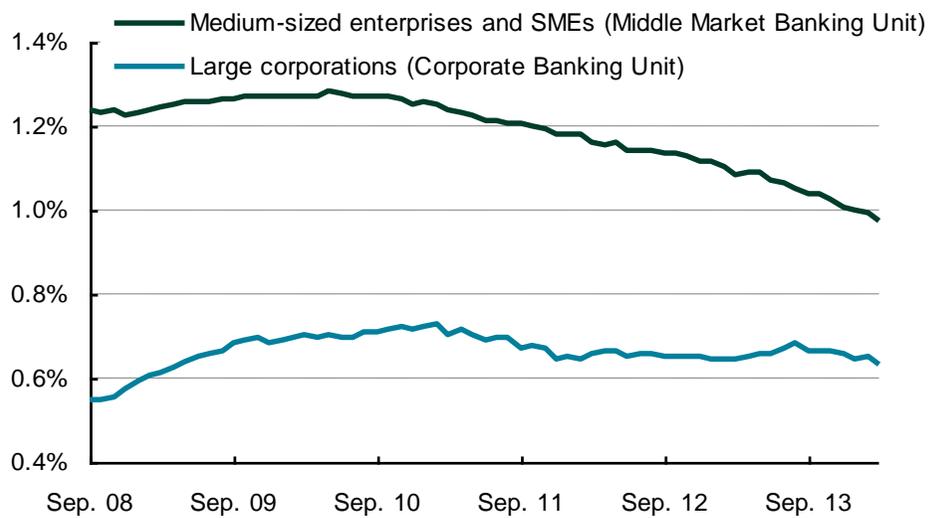
\*3 Total credit cost ratio = Total credit cost / Total claims

# Loan balance and spread

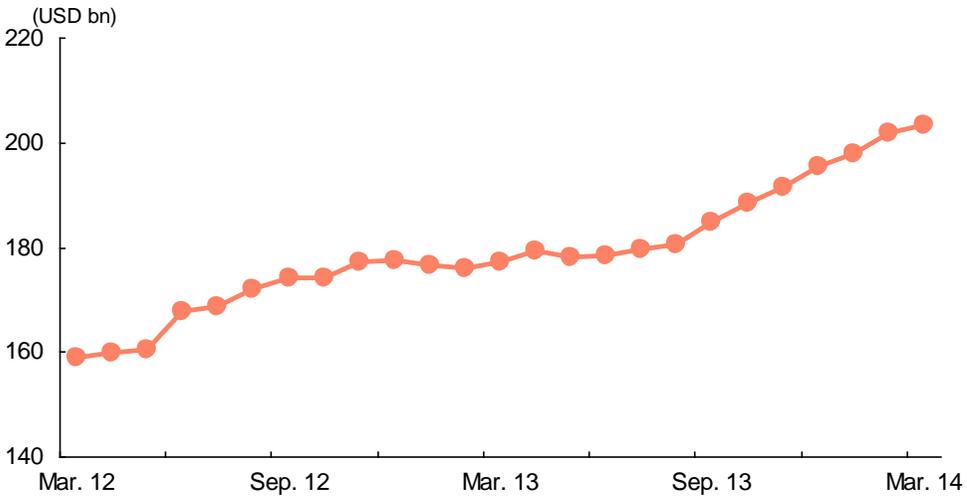
## Loan balance - domestic corporations\*1



## Loan spread - domestic corporations\*2



## IBU's interest earning assets\*1, 3



## Loan spread - overseas\*4



\*1 Monthly average \*2 Managerial accounting basis. Average loan spread of existing loans. SMBC non-consolidated

\*3 Sum of loans, trade bills and securities. Sum of SMBC, SMBC Europe and SMBC (China)

\*4 Managerial accounting basis. Average loan spread of existing loans. Sum of SMBC, SMBC Europe and SMBC (China)

# Capital and risk-weighted assets (SMFG consolidated)

## Capital ratio (transitional basis)

(JPY bn)	Mar. 31, 2013	Mar. 31, 2014 preliminary
<b>Common Equity Tier 1 capital (CET1)</b>	<b>5,855.9</b>	<b>6,550.8</b>
of which:		
Total stockholders' equity related to common stock	5,585.9	6,312.3
Accumulated other comprehensive income <sup>*1</sup>		175.6
Regulatory adjustments related to CET1 <sup>*1</sup>		(193.8)
<b>Tier 1 capital</b>	<b>6,829.0</b>	<b>7,514.3</b>
of which:		
Eligible Tier 1 capital instruments (grandfathered) <sup>*3</sup>	1,463.3	1,212.1
Regulatory adjustments <sup>*1,2</sup>	(520.3)	(415.4)
<b>Tier 2 capital</b>	<b>2,357.0</b>	<b>2,047.1</b>
of which:		
Eligible Tier 2 capital instruments (grandfathered) <sup>*3</sup>	1,830.9	1,627.4
Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount <sup>*2</sup>	506.6	506.6
Regulatory adjustments <sup>*1,2</sup>	(76.7)	(182.1)
<b>Total capital</b>	<b>9,186.0</b>	<b>9,561.4</b>
<b>Risk-weighted assets</b>	<b>62,426.1</b>	<b>61,623.3</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>9.38%</b>	<b>10.63%</b>
<b>Tier 1 capital ratio</b>	<b>10.93%</b>	<b>12.19%</b>
<b>Total capital ratio</b>	<b>14.71%</b>	<b>15.51%</b>

## Common Equity Tier 1 capital ratio (fully-loaded<sup>\*4</sup>, pro forma)

(JPY bn)	Mar. 31, 2013	Mar. 31, 2014
Variance with CET1 on a transitional basis <sup>*5</sup>		
Accumulated other comprehensive income	664.6	702.4
of which:		
Net unrealized gains on other securities	755.8	759.6
Minority interests (subject to be phased-out)	(129.6)	(104.8)
Regulatory adjustments related to CET1	(1,018.1)	(775.1)
<b>Common Equity Tier 1 capital</b>	<b>5,372.8</b>	<b>6,373.2</b>
<b>Risk-weighted assets</b>	<b>62,062.8</b>	<b>61,339.2</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>8.6%</b>	<b>10.3%</b>

## Preferred securities which become callable in FY3/15

Issuer / Series	Issue date	Amount outstanding	Dividend rate <sup>*6</sup>	First call date <sup>*7</sup>	Step-up
SMFG Preferred Capital JPY3 Limited					
Series C	Sep. 2009	JPY 79.5 bn	3.98%	Jan. 2015	None
Series D	Oct. 2009	JPY 45.0 bn	3.94%	Jan. 2015	None

## Treasury stock (as of Mar. 2014)

Held by SMFG	Held by SMBC
4.0 million shares	42.8 million shares

\*1~3 Items subject to the transitional arrangements. Regulatory adjustments of Tier1 and Tier2 include both phase-in and phase-out described in \*1 and \*2 below.

\*1 For Mar. 31, 2014, 20% of the original amounts are included. \*2 20% phase-out is reflected in the figures as of Mar. 31, 2014

\*3 Cap decreased to 80% from 90%. \*4 Based on the Mar. 31, 2019 definition \*5 For Mar. 31, 2014, each figure represents the 80% of the original amounts that are not included due to phase-in or included due to phase-out in the calculation of CET1 on a transitional basis.

\*6 Until the first call date. Floating rate thereafter \*7 Callable at any dividend payment date on and after the first call date, subject to prior confirmation of the FSA

# ■ Topics in FY3/2014

## Consumer banking business

- Started “bank-securities integration model” between SMBC and SMBC Nikko Securities as a trial run and expanded in Oct. 2013. SMBC Nikko Securities opened three new branches to enhance collaboration with SMBC
- Societe Generale Private Banking Japan became a wholly-owned subsidiary and commenced operation as SMBC Trust Bank
- Launched promotion activities of NISA (Nippon Individual Savings Account)
- Sumitomo Mitsui Card entered into a business alliance with U.S.-based Square, Inc. and commenced providing mobile payment services, etc
- SMBC Consumer Finance made Mobit a wholly-owned subsidiary

## Corporate banking business

- Actively extended loans by measures such as utilizing the loan support program of the Bank of Japan
- Promoted initiatives to support growth industries, including investing in a regenerative medicine fund and an agricultural fund, as well as arranging project finance for solar energy projects
- Accumulated transaction amount of SMBC Assessment Loans exceeded JPY 1 trillion
- SMBC Nikko Securities was appointed lead manager of global equity offerings by industrial corporations for the first time since joining SMFG group

## International business

- SMBC\*1 established six marketing offices in emerging markets, mainly in Asia
- Sumitomo Mitsui Finance & Leasing started operation in Chengdu and New York\*2. SMBC Nikko Securities started operation in San Francisco. SMBC Consumer Finance started operation in Chongqing, Chengdu and Wuhan
- Promoted the Multi-Franchise strategy, including investing a 40% stake in BTPN in Indonesia
- Acquired the ninth largest railcar leasing company in the U.S. and commenced operations as SMBC Rail Services
- Obtained FHC status in the U.S.

## Others

- Issued Basel III compliant subordinated bonds for the first time in Apr. 2014

# Summary of new medium-term management plan (FY2014 to 2016)

## Vision for the next decade

**We will become a global financial group that, by earning the highest trust of our customers, leads the growth of Japan and the Asian region**

- We will become a truly Asia-centric institution
- We will develop the best-in-class earnings base in Japan
- We will realize true globalization and continue to evolve our business model

## Three-year management goals

- Develop and evolve client-centric business models for main domestic and international businesses
- Build a platform for realizing Asia-centric operations and capture growth opportunities
- Realize sustainable growth of top-line profit while maintaining soundness and profitability
- Upgrade corporate infrastructure to support next stage of growth

## Financial targets for FY2016\*1

Growth	Growth rate of Consolidated gross profit	Around +15%*2
Profitability	Consolidated ROE	Around 10%
	Consolidated net income RORA	Around 1%
	Consolidated overhead ratio	In the mid 50%
Soundness	Common Equity Tier 1 capital ratio*3	Around 10%

## Capital policy

We aim to increase the dividend per share in a stable manner by implementing measures for the sustainable growth of shareholder value. To this end, we aim to achieve higher profitability and growth through growth investments with the focus on efficiency of our capital, while enhancing retained earnings to maintain financial soundness.

This document contains “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of us and our managements with respect to our future financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “probability,” “risk,” “project,” “should,” “seek,” “target,” “will” and similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those expressed in or implied by such forward-looking statements contained or deemed to be contained herein. The risks and uncertainties which may affect future performance include: deterioration of Japanese and global economic conditions and financial markets; declines in the value of our securities portfolio; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; exposure to new risks as we expand the scope of our business; and incurrence of significant credit-related costs. Given these and other risks and uncertainties, you should not place undue reliance on forward-looking statements, which speak only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements.

Please refer to our most recent disclosure documents such as our annual report or registration statement on Form 20-F and other documents submitted to the U.S. Securities and Exchange Commission, as well as our earnings press releases, for a more detailed description of the risks and uncertainties that may affect our financial conditions and our operating results, and investors’ decisions.