

Figures in the charts are rounded. Figures in parenthesis indicate loss or decrease.

May 14, 2014

## **Announcement of financial results for FY3/2014**

We would now like to explain our financial results for FY3/2014 and the medium-term management plan, by using *Consolidated financial results for the fiscal year ended March 31, 2014*, its *Supplementary Information* and *Announcement of New Medium-term Management Plan*.

Let us look at the *Supplementary Information*.

In this report, “Consolidated” indicates SMFG’s consolidated figures, and “Non-consolidated” indicates SMBC’s non-consolidated figures, if not otherwise specified.

### **SMFG consolidated financial results**

Please look at page 1. This is an overview of SMFG’s consolidated earnings results.

Consolidated gross profit shown in line 1 was JPY 2,898.2 billion, JPY 105.3 billion higher compared with the previous fiscal year.

This was largely due to contribution by subsidiaries, including an increase in profits at SMBC Nikko Securities driven by a surge in equity commissions reflecting improved market conditions, and steady results of other major subsidiaries such as Cedyne and Sumitomo Mitsui Finance and Leasing.

General and administrative expenses, as shown in line 7, rose by JPY 73.7 billion to JPY 1,569.9 billion due to expenditures by SMBC and SMBC Nikko Securities aimed at enhancing the business structure to generate stronger top-line growth.

This was offset by a year-on-year increase in Gains on stocks in line 15 by JPY 110.2 billion to JPY 89.2 billion, and a year-on-year decrease in Total credit cost in line 28 by JPY 222.2 billion for a net reversal of JPY 49.1 billion.

As a result, Ordinary profit, as shown in line 18, increased by JPY 358.6 billion year-on-year to JPY 1,432.3 billion.

Income taxes - deferred was a year-on-year decrease primarily due to the absence of a specific factor which was present in the previous fiscal year. In FY3/2013, elimination of operating loss carryforwards led SMBC to revise the criteria under which it recognizes deferred tax assets pursuant to the practical guidelines issued by the JICPA, which caused an increase in Income taxes - deferred.

As a result of the foregoing, Net income, as shown in line 27, were up by JPY 41.3 billion year-on-year to JPY 835.4 billion.

SMFG Consolidated		(Billions of yen)			
		FY3/2014	Change	FY3/2013	
Consolidated gross profit	1	2,898.2	105.3	2,792.9	
General and administrative expenses	7	(1,569.9)	(73.7)	(1,496.3)	
Credit costs	8	(96.8)	86.8	(183.6)	
Gains on reversal of reserve for possible loan losses	13	136.2	136.2	-	
Recoveries of written-off claims	14	9.7	(0.8)	10.4	
Gains (losses) on stocks	15	89.2	110.2	(21.0)	
Ordinary profit	18	1,432.3	358.6	1,073.7	
Net income	27	835.4	41.3	794.1	
Total credit cost (8+13+14)		28	49.1	222.2	(173.1)

### SMBC non-consolidated financial results

Let us now look at SMBC's non-consolidated earnings results on the next page, page 2.

Banking profit before provision for general reserve for possible loan losses in line 19 remained steady from the previous fiscal year at JPY 812.4 billion.

Gross banking profit in line 1 increased by JPY 18.1 billion year-on-year to JPY 1,558.2 billion mainly due to the following factors:

- Net interest income in line 3 was higher due to profits from equity index-linked investment trusts;
- Net interest income and Net fees and commissions in lines 10 and 11 increased in line with asset growth mainly in Asia and the Americas; and
- Gains on bonds declined by JPY 113.1 billion as shown in line 10.

Expenses, in line 15, were JPY 745.7 billion, a JPY 18.0 billion increase year-on-year due to factors such as rise in overseas headcount and effects from investments over the past years in systems and facilities.

SMBC Non-consolidated		(Billions of yen)		
		FY3/2014	Change	FY3/2013
Gross banking profit	1	1,558.2	18.1	1,540.1
Expenses (excluding non-recurring losses)	15	(745.7)	(18.0)	(727.7)
Banking profit (before provision for general reserve for possible loan losses)	19	812.4	0.0	812.4
Gains (losses) on bonds	20	0.7	(113.1)	113.8

Next, Total credit cost, as shown in line 39, fell by JPY 143.4 billion year-on-year for a net reversal of JPY 123.9 billion.

This was mainly due to lower incurrence of credit costs as a result of our individualized efforts to assist certain borrowers to improve their business and financial conditions, as well as a reversal of provisions for reserve made in previous years reflecting the improving economic environment.

Gains (losses) on stocks, as shown in line 27, were a net gain of JPY 106.4 billion, an improvement by JPY 142.1 billion over the prior year period, reflecting a boost in gains on sales of stocks and a drop in losses on devaluation of stocks.

SMBC Non-consolidated		(Billions of yen)		
		FY3/2014	Change	FY3/2013
Provision for general reserve for possible loan losses	21	-	-	-
Non-recurring gains (losses)	23	140.1	281.6	(141.5)
Credit costs	24	(8.9)	37.4	(46.3)
Gains on reversal of reserve for possible loan losses	25	132.8	106.0	26.7
Recoveries of written-off claims	26	0.1	0.0	0.1
Gains (losses) on stocks	27	106.4	142.1	(35.7)
Total credit cost (21+24+25+26)	39	123.9	143.4	(19.5)

These items added up to a year-on-year increase in Ordinary profit of JPY 281.7 billion to JPY 952.5 billion, as shown in line 31.

Finally, Net income, after income taxes, as shown in line 38, was JPY 605.3 billion, a JPY 12.5 billion decrease year-on-year.

SMBC Non-consolidated		(Billions of yen)		
		FY3/2014	Change	FY3/2013
Ordinary profit	31	952.5	281.7	670.9
Net income	38	605.3	(12.5)	617.8

## Interest spread (domestic)

Next, let us look at page 3 for domestic Interest spread.

As shown on the table, Interest spread, the difference between Interest paid on deposits, etc. and Interest earned on loans and bills discounted, was down by 0.12% year-on-year to 1.37% due to a decline in Interest earned on loans and bills discounted.

SMBC Non-consolidated (%)

	FY3/2014	Mar. 31, 2014		FY3/2013
		Six months ended Sep. 30, 2013	Six months ended Mar. 31, 2014	
Interest earned on loans and bills discounted (C)	1.41	1.44	1.39	1.54
Interest paid on deposits, etc. (D)	0.04	0.04	0.03	0.05
Interest spread (C) - (D)	1.37	1.40	1.36	1.49

## Unrealized gains (losses) on securities

Next, let us look at page 4 for Unrealized gains (losses) on securities.

Figures of SMFG consolidated Unrealized gains (losses) on securities are shown on the top of the page.

Net unrealized gains on Other securities in line 2 were up by JPY 283.4 billion year-on-year to JPY 1,405.0 billion, comprising JPY 1,131.1 billion in Net unrealized gains on Stocks, JPY 65.6 billion in Net unrealized gains on Bonds, and JPY 208.3 billion in Net unrealized gains on Others, as shown in lines 3, 4 and 6.

SMFG Consolidated (Billions of yen)

		Mar. 31, 2014			
		Net unrealized gains (losses)			Losses
			Change from Mar. 31, 2013	Gains	
Other securities	2	1,405.0	283.4	1,523.7	118.7
Stocks	3	1,131.1	359.9	1,186.2	55.0
Bonds	4	65.6	(42.7)	69.8	4.2
Others	6	208.3	(33.8)	267.7	59.5

## Non-performing loans

Let us now move on to page 7, our non-performing loan situation.

The total amount of Problem assets based on the Financial Reconstruction Act, item marked with an “A” at the bottom left of the table, was JPY 881.4 billion on a SMBC non-consolidated basis, a JPY 212.1 billion decrease year-on-year.

As a result, the ratio of Problem assets to Total claims including Normal assets improved by 0.39% compared with March 31, 2013, and remained at a low level of 1.21%.

SMBC Non-consolidated (Billions of yen, %)

	Mar. 31, 2014 (a)	(a) - (b)	Mar. 31, 2013 (b)
Bankrupt and quasi-bankrupt assets	114.3	(31.2)	145.5
Doubtful assets	574.4	(117.0)	691.4
Substandard loans	192.7	(63.9)	256.6
Total (A)	881.4	(212.1)	1,093.5
Normal assets	71,907.0	4,617.5	67,289.5
Total (B)	72,788.4	4,405.4	68,383.0
Problem asset ratio (A/B)	1.21	(0.39)	1.60

## Loans

Next, let us move on to page 11, our loan balance.

Domestic loans, shown on the top of the table, increased year-on-year by JPY 0.6 trillion to JPY 48.2 trillion. Overseas loans increased mainly in Asia and the Americas by JPY 3.0 trillion year-on-year to JPY 15.2 trillion.

Overall, SMBC’s loan portfolio grew by JPY 3.6 trillion to JPY 63.4 trillion compared with March 31, 2013.

SMBC Non-consolidated (Trillions of yen)

	Mar. 31, 2014	Change	Mar. 31, 2013
Domestic offices (excluding Japan offshore banking accounts)	48.2	0.6	47.6
Overseas offices and Japan offshore banking accounts	15.2	3.0	12.2
Total	63.4	3.6	59.8

## Capital ratio (BIS guidelines)

Next, let us move on to page 16 for consolidated capital ratio on a preliminary basis.

SMFG's consolidated capital ratios as of March 31, 2014 were well above required levels: Total capital ratio was 15.51%, higher by 0.80% compared with March 31, 2013; Common equity Tier 1 capital ratio was 10.63%.

SMFG Consolidated	Mar. 31, 2014		Mar. 31, 2013
	[Preliminary] (a)	(a) - (b)	
Total capital ratio	15.51	0.80	14.71
Common equity Tier 1 capital ratio	10.63	1.25	9.38

## Medium-term management plan for FY3/2012 to FY3/2014

The chart on the bottom of page 16 shows the achievement of the targets of the medium-term management plan for the three years ended on March 31, 2014.

At the beginning of FY3/2012 we had set out two management policies: “aim for top quality in strategic business areas”; and “establish a solid financial base and corporate infrastructure enough to address the new financial regulations and competitive environment”.

At the same time, we had set out the five financial targets shown on the chart with an aim to achieve well-balanced and steady improvement of “financial soundness,” “profitability,” and “growth.” We have successfully accomplished all of these financial targets.

	FY3/2014		FY3/2013	Reference: Mar. 2014 target
	(a)	(a) - (b)	(b)	
Common equity Tier 1 capital ratio *1	10.3%	1.7%	8.6%	8%
Consolidated net income RORA	1.4%	0.1%	1.3%	0.8%
Consolidated overhead ratio	53.0%	0.6%	52.4%	50% - 55%
SMBC non-consolidated overhead ratio	47.9%	0.6%	47.3%	45% - 50%
Overseas banking profit ratio *2	33.0%	2.8%	30.2%	30%

\*1 Basel III fully-loaded basis, based on the Mar. 31, 2019 definition

\*2 Based on the medium-term management plan assumed exchange rate of 1 USD=JPY 85

## **Earnings target and dividends forecast for FY3/2015**

Let us move on to earnings target and dividends forecast for FY3/2015 on page 17.

Target earnings on a SMFG consolidated basis are as follows.

Ordinary profit: JPY 1,110 billion

Net income: JPY 680 billion

Target earnings on a SMBC's non-consolidated basis are as follows.

Banking profit: JPY 750 billion

Total credit cost: JPY 0 billion

Ordinary profit: JPY 730 billion

Net income: JPY 510 billion

With regards to dividends, we forecast annual cash dividend for common stock for FY3/2015 to be JPY 120 per share, the same amount as FY3/2014. The previously announced dividend forecast for FY3/2014 remains unchanged.

## **New Medium-term Management Plan**

Next, we would like to explain our New Medium-term Management Plan. Let us look at the *Announcement of New Medium-term Management Plan*.

The SMFG group has launched a medium-term management plan for the three years from FY3/2015 to FY3/2017.

The new medium-term management plan was developed as the first step toward realizing our vision for the next decade: the growth of the SMFG group amid the dynamically changing economic, financial and regulatory environment.

Our vision for the next decade is as follows.

- 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.

Specifically, we aim to achieve the following points during the next decade.

- 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.

We also set four management goals of the three-year medium-term management plan, as shown on page 2, as the first step toward realizing our vision.

- 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

The details are shown from page 2 to page 4.

As shown on page 5, we have five financial targets as follows: growth rate of consolidated gross profit, consolidated ROE, consolidated net income RORA, consolidated overhead ratio and Common Equity Tier 1 Capital Ratio.

We will focus on the growth of our top-line profit, while securing profitability and soundness target ratios at the current level which are already quite high.

This is the end of the presentation. Thank you very much for your attention.

(END)

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.