

# Overview of 1H, FY3/2015 performance

November 13, 2014

**Sumitomo Mitsui Financial Group, Inc.**

# 1H, FY3/2015 summary

- Reported strong net income of JPY 479.5 bn on a SMFG consolidated basis
- Made a good start for the first year of our medium-term management plan
- Increased annual dividend forecast by JPY 10 per share
- SMBC's net income reached JPY 408.2 bn mainly due to realized gains on equity index-linked investment trusts in the Treasury Unit and net reversal of Total credit cost
- Increased annual dividend forecast by JPY 10 per share, taking into account the revision of SMFG's consolidated net income target for FY3/15 by JPY 20 bn to JPY 700 bn

## Per share information (SMFG consolidated)

	1H, FY3/15 results	YOY change
Net income	JPY 350.73	JPY (19.73)
Dividend	JPY 60	+JPY 5

	Sep. 30, 2014	Change from Mar. 31, 2014
Net assets	JPY 5,805.99	+JPY 482.12

FY3/15 Targets
JPY 511.97
<b>JPY 130</b>
From JPY 120 of May forecast to JPY 130

## Credit ratings (SMBC)

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

## Financial targets and progress of medium-term management plan

		FY3/14	1H, FY3/15	FY3/17 targets
Growth	Growth rate of Consolidated gross profit	-	+0.1% <sup>*1</sup>	around +15% <sup>*2</sup>
	Consolidated ROE	13.8%	14.4% <sup>*1</sup>	around 10%
Profitability	Consolidated net income RORA	1.4%	1.5% <sup>*1</sup>	around 1%
	Consolidated overhead ratio	54.2%	55.5%	in the mid 50%
Soundness	Common Equity Tier 1 Capital Ratio <sup>*3</sup>	10.3%	10.7%	around 10%

\*1 Annualized \*2 FY3/17 targeted consolidated gross profit increase in comparison with FY3/14 figure

\*3 Basel III fully-loaded basis. Based on the definition as of March 31, 2019

# 1H, FY3/2015 financial results

## Income statement

		(JPY bn)	1H, FY3/15	YOY change	FY3/15 targets	Change from May targets
SMFG consolidated	Consolidated gross profit	USD 13.2 bn <sup>*1</sup>	1,450.1	(59.9)		
	Variance <sup>*2</sup>		622.3	(65.9)		
	General and administrative expenses		(804.3)	(23.6)		
	Consolidated net business profit		645.9	(91.6)		
	Total credit cost		88.8	+49.2	(60)	+60
	Ordinary profit		780.5	(55.4)	1,200	+90
	Variance <sup>*2</sup>		188.0	(124.3)	400	+20
	Net income	USD 4.4 bn <sup>*1</sup>	479.5	(26.2)	700	+20
	Variance <sup>*2</sup>		71.3	(104.2)	170	± 0
	SMBC non-consolidated	Gross banking profit	USD 7.6 bn <sup>*1</sup>	827.8	+6.0	1,540
of which Net interest income			586.9	+16.0		
Expenses <sup>*3</sup>			(386.9)	(18.3)	(790)	± 0
Banking profit <sup>*4</sup>			440.9	(12.3)	750	± 0
Total credit cost			124.2	+45.9	50	+50
Gains (losses) on stocks			48.2	(28.3)		
Other non-recurring gains (losses)			(20.8)	+63.7		
Ordinary profit			592.5	+68.9	800	+70
Net income		USD 3.7 bn <sup>*1</sup>	408.2	78.0	530	+20

## Contribution of subsidiaries to SMFG's Gross profit

	(JPY bn)	1H, FY3/15	YOY change
SMBC Nikko Securities		146	(35)
SMBC Consumer Finance		106	+19
Sumitomo Mitsui Card		95	+3
Cedyna		83	(2)
Sumitomo Mitsui Finance and Leasing		66	(1)

## Contribution of subsidiaries to SMFG's Net income

	(JPY bn)	1H, FY3/15	YOY change
SMBC Consumer Finance		28	(3)
SMBC Nikko Securities		24	(17)
Sumitomo Mitsui Finance and Leasing		15	+0
Cedyna		15	+0
SMBC Guarantee		9	+2
Sumitomo Mitsui Card		8	(1)
SMBC Friend Securities		4	(3)

\*1 Translated into USD at period-end exchange rate of USD 1 = JPY 109.45 \*2 SMFG consolidated figures minus SMBC non-consolidated figures

\*3 Excludes non-recurring losses \*4 Before provision for general reserve for possible loan losses

# Breakdown of gross profit

## SMFG's consolidated gross profit

(JPY bn)	1H, FY3/14	FY3/14	1H, FY3/15	YOY Change
<b>SMFG's consolidated gross profit*1</b>	1,510.0	2,898.2	1,450.1	(59.9)
<b>Net interest income</b>	780.3	1,484.2	763.6	(16.6)
of which:				
<b>SMBC</b>	570.9	1,064.9	586.9	+16.0
<b>SMBC Consumer Finance</b>	61.0	124.0	73.0	+13.0
<b>Trust fees</b>	1.1	2.5	1.4	+0.3
<b>Net fees and commissions</b>	490.1	984.6	461.5	(28.6)
of which:				
<b>SMBC</b>	163.8	357.4	157.1	(6.7)
<b>Sumitomo Mitsui Card</b>	84.0	170.0	87.0	+3.0
<b>SMBC Nikko Securities</b>	104.0	189.0	77.0	(26.0)
<b>Cedyna</b>	59.0	119.0	58.0	(1.0)
<b>Net trading income</b>	120.2	211.9	84.4	(35.8)
of which:				
<b>SMBC</b>	25.5	36.8	5.1	(20.4)
<b>SMBC Nikko Securities</b>	75.0	134.0	66.0	(10.0)
<b>Net other operating income</b>	118.3	215.1	139.2	+20.9

## Reference : SMBC's gross banking profit of marketing units

(JPY bn)	FY3/14	1H, FY3/15	YOY Change*2
Loan syndication	38.8	17.8	+0.9
Structured finance	25.3	7.3	(6.1)
Asset finance*3	15.6	6.0	0.0
Sales of derivatives products	20.4	8.3	(1.6)
Income related to domestic corporate business	100.1	39.4	(6.8)
Investment trusts	44.9	18.1	(6.4)
Pension-type insurance	7.7	6.4	+3.7
Single premium type permanent life insurance	8.3	4.2	+0.9
Level premium insurance	8.4	3.3	(0.9)
Income related to domestic consumer business	69.3	32.0	(2.7)
of which:			
Money remittance, electronic banking	91.9	45.9	+0.2
Foreign exchange	53.3	25.5	(0.5)
<b>Domestic Non-interest income</b>	319.2	136.0	(12.6)
of which:			
<b>IBU's loan related income</b>	63.0	33.2	+1.9
<b>IBU's Non-interest income</b>	121.4	60.7	+0.5
<b>Non-interest income</b>	440.6	196.7	(12.1)
of which:			
Income on domestic loans	446.6	213.6	(11.7)
Income on domestic yen deposits	120.8	60.6	+0.5
<b>IBU's interest related income</b>	174.6	106.0	+12.0
<b>Interest income</b>	819.3	418.3	+0.6
<b>SMBC's gross banking profit of Marketing units*4</b>	1,259.9	615.0	(11.5)

\*1 In round numbers excl. SMBC 2 After adjustments of interest rates and exchange rates, etc.

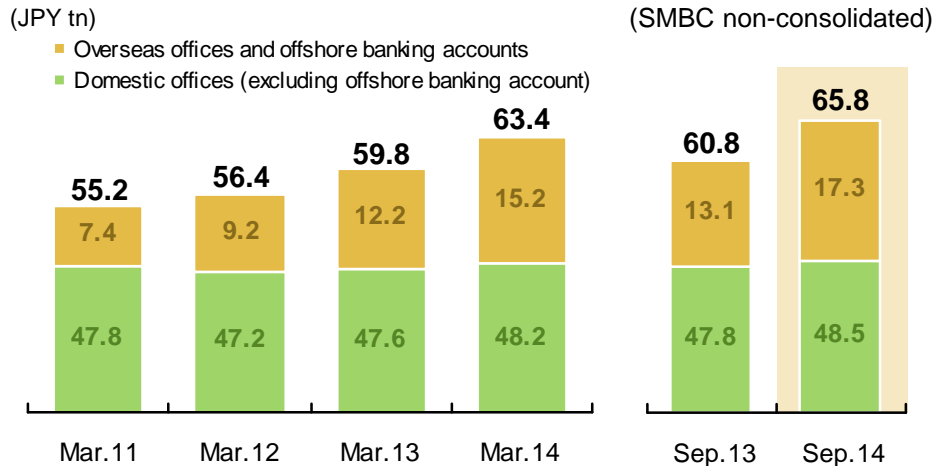
\*3 Profit from real estate finance, securitization of monetary claims, etc.

\*4 Managerial accounting basis. Revised managerial accounting rules in Apr. 2014, following the revision of our domestic business structure.

Figures for FY3/14 are recalculated based on the new rules

# Loan balance and spread

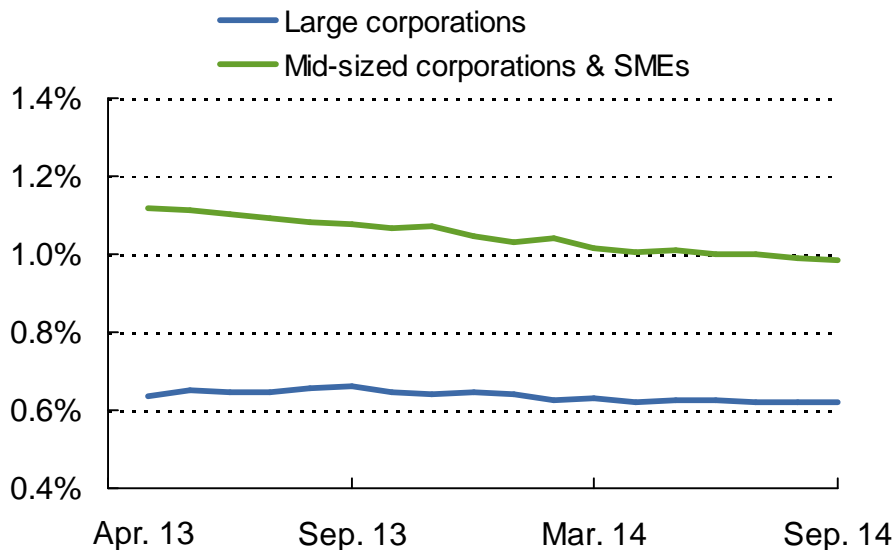
## Loan balance



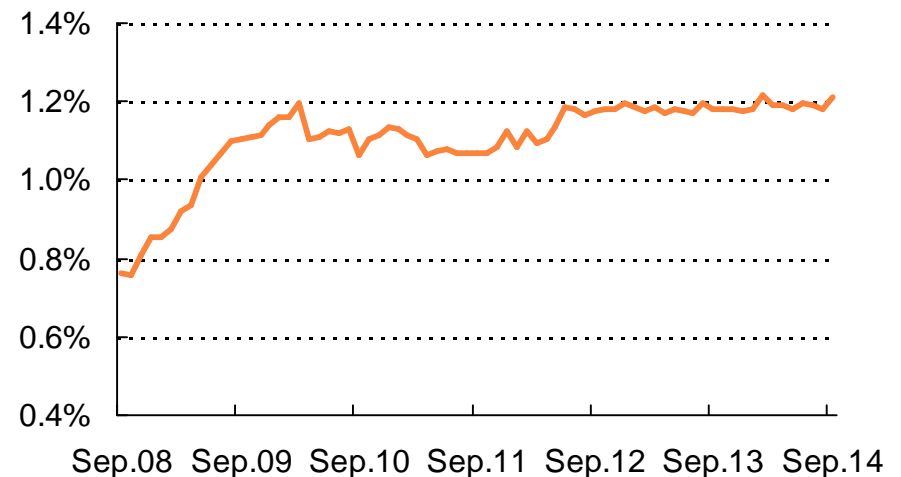
## Average loan balance and spread\*1

(JPY tn, %)	Balance		Spread	
	1H, FY3/15	YOY change*7	1H, FY3/15	YOY change*7
Domestic loans*2	47.2	+0.2	0.93	(0.06)
of which				
Large corporations*3	13.2	+0.0	0.62	(0.03)
Mid-sized corporations & SMEs*4	15.7	+0.1	0.94	(0.08)
Individuals	14.7	(0.3)	1.39	(0.03)
IBU's interest earning assets*5,6 (USD bn, %)	212.4	+32.4	1.19	+0.01

## Loan spread (domestic)\*1, 2, 8

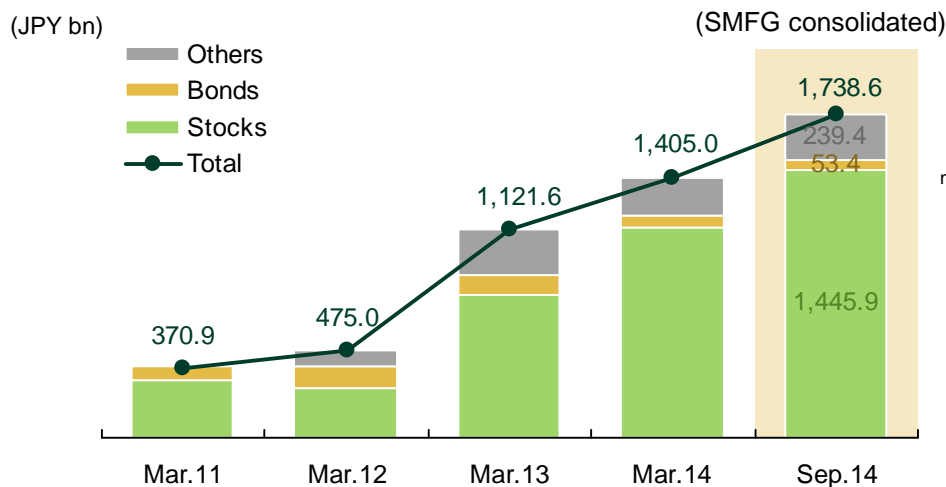


## Loan spread (overseas)\*1, 5, 8



# Trends in key figures

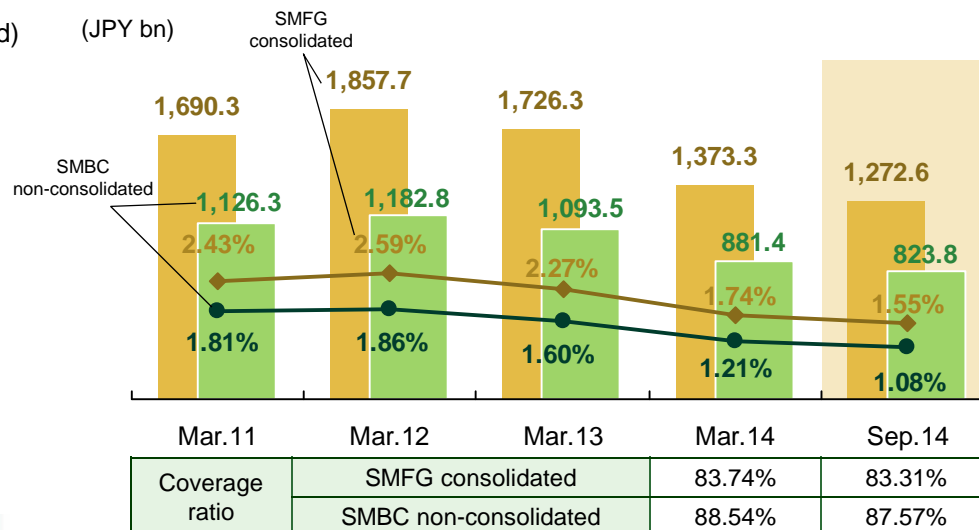
## Unrealized gains (losses) on Other securities



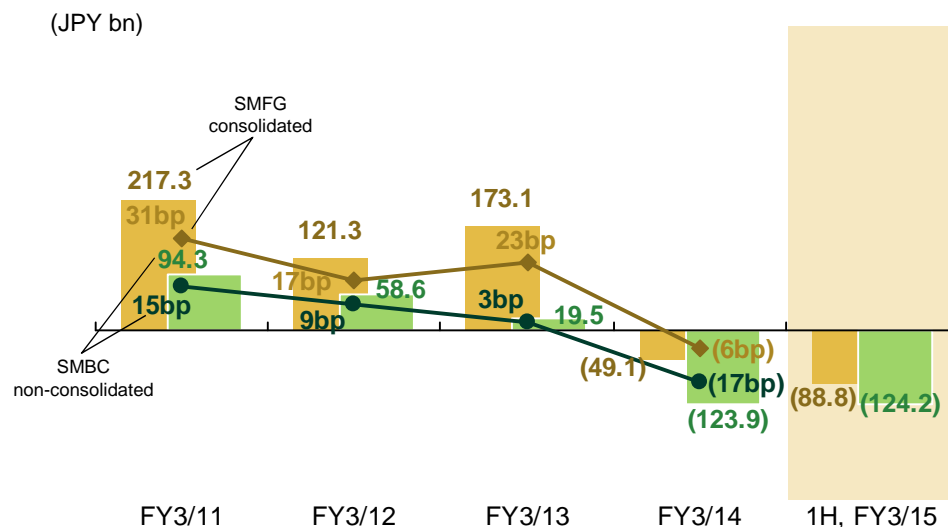
## JPY bond portfolio

		31 Mar. 2014		30 Sep. 2014	
		Balance sheet amount	Unrealized gains (losses)	Balance sheet amount	Unrealized gains (losses)
SMFG consolidated	JPY bonds	17.4	0.10	15.3	0.08
	of which JGBs	14.2	0.05	12.5	0.04
	of which Other securities	9.9	0.02	8.6	0.02
SMBC non-consolidated	JPY bonds	16.3	0.09	14.6	0.07
	of which JGBs	13.8	0.05	12.1	0.04
	of which Other securities	9.5	0.02	8.3	0.01

## NPLs and NPL ratio\*1



## Total credit cost and Total credit cost ratio\*2

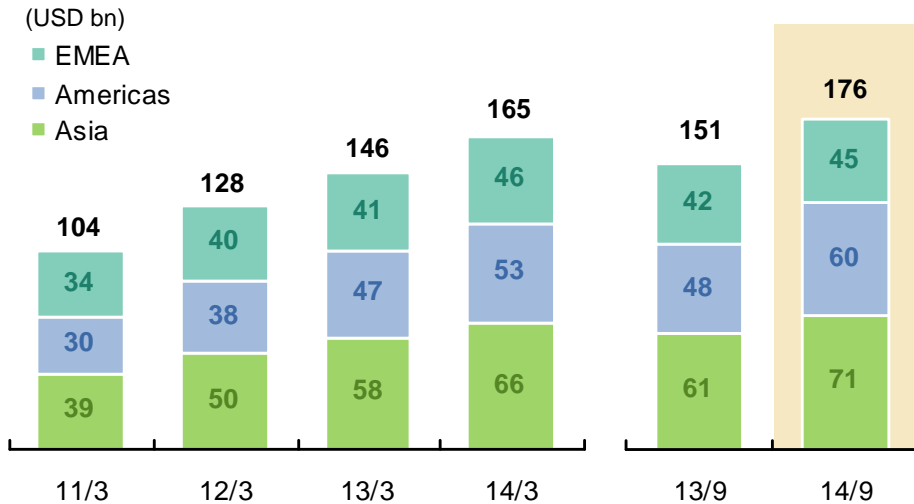


\*1 NPL ratio = NPLs based on the Financial Reconstruction Act (excluding normal assets) / Total claims

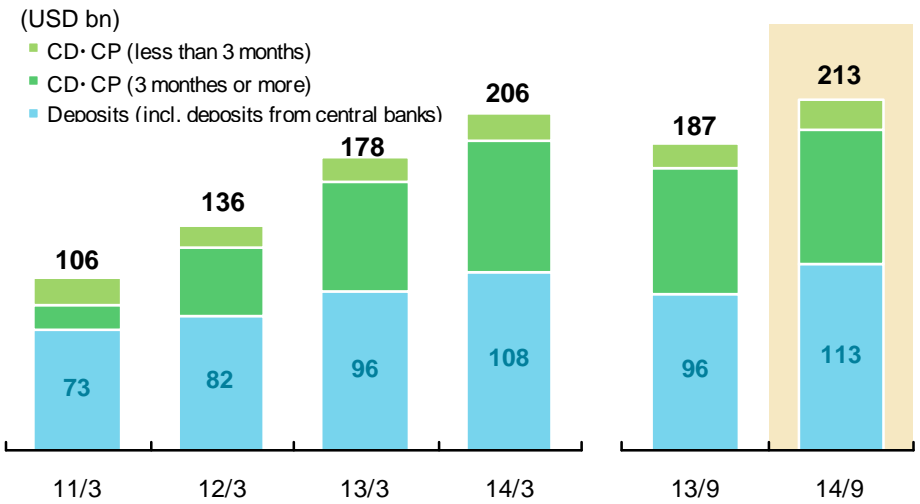
\*2 Total credit cost ratio = Total credit cost / Total claims

# International business

## Overseas loan balance\*1, 2



## Overseas deposit balance\*1, 2

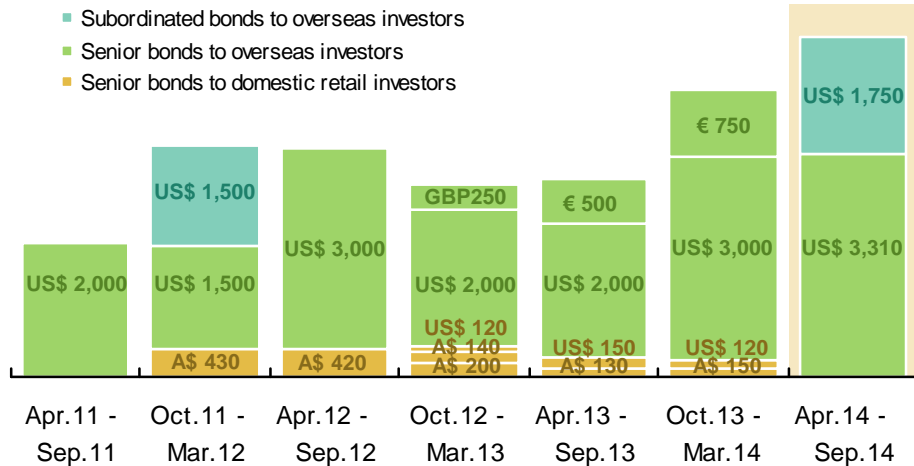


Foreign currency bonds outstanding*3 (USD bn)	Senior	13.6	19.2
	Subordinated	3.2	3.3

13/9	14/9
15.6	21.5
3.3	4.9

## Issue amount of foreign-currency denominated bonds (mn)\*3



## Project finance / Loan syndication

### League tables (Jan. - Sep. 2014)\*4

	Global	Asia*5	Japan
Project Finance	#1	#1	
Loan Syndication	#12	#4	#2

\*1 Managerial accounting basis. Sum of SMBC, SMBC Europe and SMBC (China) \*2 Translated into USD at respective period-end exchange rates

\*3 Bonds issued by SMBC and SMFG \*4 Source: Thomson Reuters (Mandated Arrangers)

\*5 Project finance: Asia Pacific. Loan syndication: Asia (excl. Japan), all international currency syndicated and club loans

# SMBC Nikko Securities

## Financial results (consolidated)

	(JPY bn)			
	1H, FY3/14	FY3/14	1H, FY3/15	YOY change
Net operating revenue	180.6	327.9	145.2	(35.4)
SG&A expenses	(116.1)	(227.8)	(110.0)	+6.1
Ordinary income	65.3	102.1	36.5	(28.8)
Net income	41.2	64.6	24.0	(17.2)

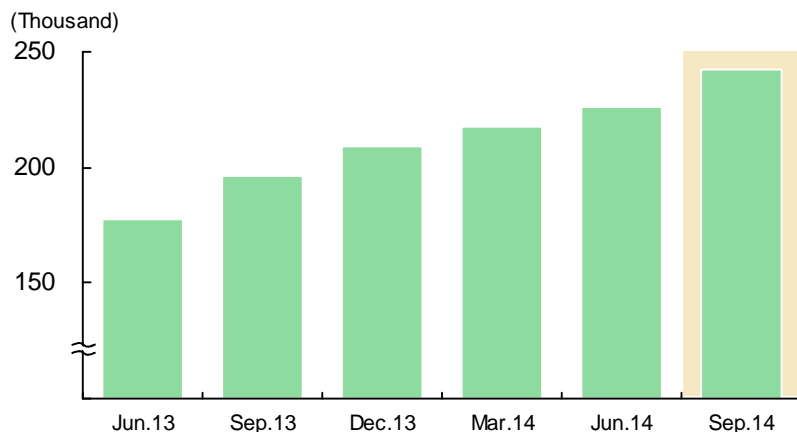
## League tables (Apr. - Sep. 2014)

	Rank	Mkt share
Global equity & equity-related (book runner, underwriting amount) <sup>*2</sup>	#2	17.8%
JPY denominated bonds (lead manager, underwriting amount) <sup>*3</sup>	#4	16.1%
Financial advisor (M&A, No. of deals) <sup>*4</sup>	#7	1.8%
Financial advisor (M&A, transaction volume) <sup>*4</sup>	#14	6.4%

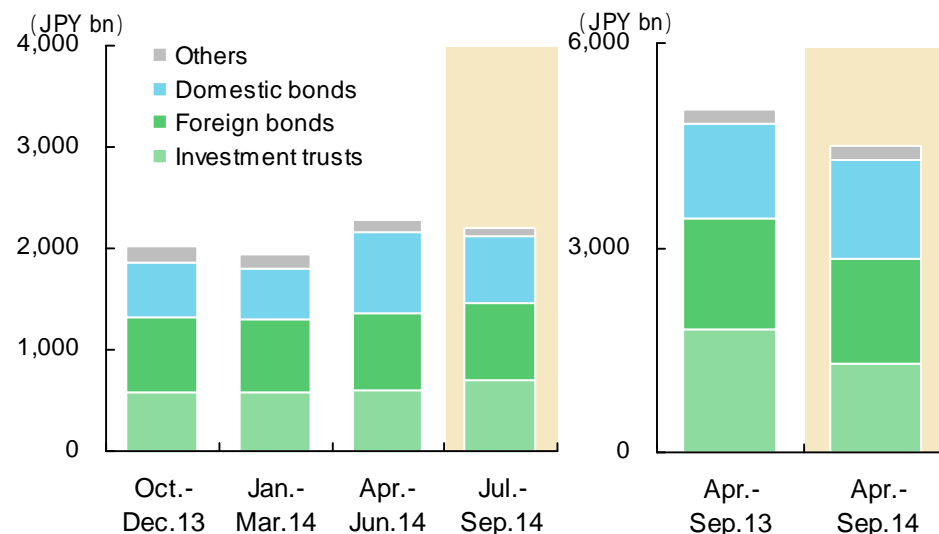
## Synergies between SMBC and SMBC Nikko

- Expanded "bank-securities integration model" to all offices in Jul. 2014

No. of individual accounts at SMBC Nikko<sup>\*1</sup>



## Product Sales



<sup>\*1</sup> Number of accounts of individual customers at the end of each quarter which were opened at SMBC Nikko via referral or financial instruments intermediary services from SMBC to SMBC Nikko. Includes accounts transferred from SMBC Friend Securities to SMBC Nikko in Jan. 2011 on integrating SMBC Friend's collaborative business with SMBC into SMBC Nikko <sup>\*2</sup> Source: SMBC Nikko, based on data from Thomson Reuters. Japanese corporate related only <sup>\*3</sup> Source: SMBC Nikko, based on data from Thomson Reuters. Consisting of corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds <sup>\*4</sup> Source: Thomson Reuters. Japanese corporate related only. Excludes real estate deals



# SMBC Consumer Finance

## Financial results (consolidated)

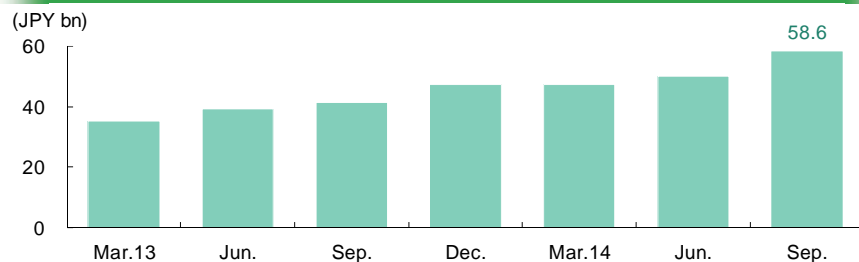
(JPY bn)	1H, FY3/14	FY3/14	1H, FY3/15	YOY change
<b>Operating income</b>	95.5	194.8	112.2	+16.7
Losses on interest repayments within Expenses	-	(38.7)	-	-
<b>Ordinary profit</b>	32.5	26.5	29.8	(2.7)
<b>Net income</b>	30.7	29.4	27.5	(3.2)

<b>Consumer loans outstanding</b>	744.4	937.6	962.3	
Allowance on interest repayments	154.3	152.8	117.1	
<b>Loan guarantee</b>	702.2	752.6	826.4	No. of companies with guarantee agreements: 189 (as of Sep. 2014)
for regional financial institutions, etc.	252.7	274.3	314.5	

## Overseas business

- Started operation in Shanghai in Oct. 2014

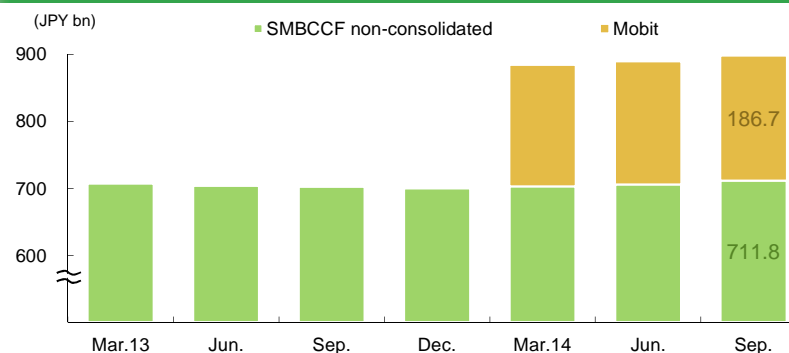
## Consumer loans outstanding (overseas)\*



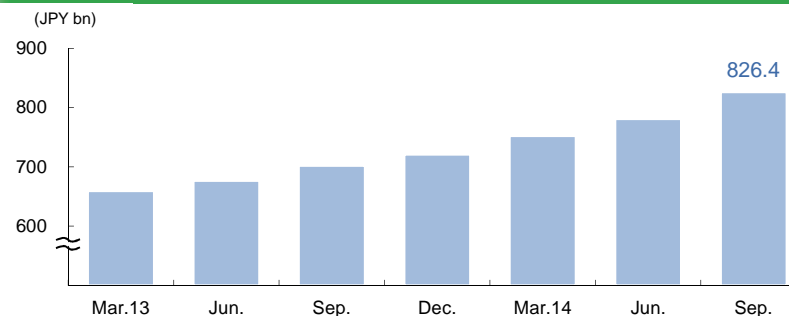
\* Translated into Japanese yen at respective period-end exchange rate

## Financing / Loan guarantee business

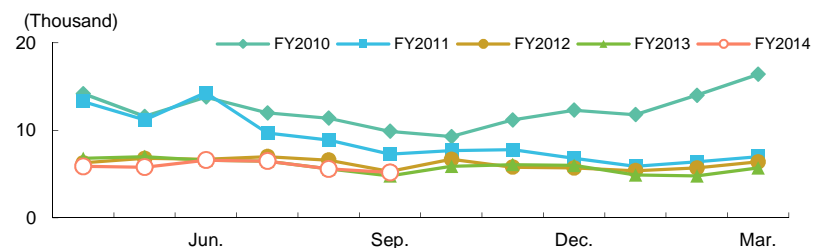
### Consumer loans outstanding (domestic)



### Loan guarantee amount



### No. of interest refund claims



# Capital and risk-weighted assets, SMFG consolidated

## Capital ratio (transitional basis)

(JPY bn)	Mar. 31, 2014	Sep. 30, 2014 <i>preliminary</i>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>6,550.8</b>	<b>6,989.4</b>
of which:		
Total stockholders' equity related to common stock	6,312.3	6,744.1
Accumulated other comprehensive income* <sup>1</sup>	175.6	222.4
Regulatory adjustments related to CET1* <sup>1</sup>	(193.8)	(214.2)
Tier 1 capital	7,514.3	7,957.3
of which:		
Eligible Tier 1 capital instruments (grandfathered)* <sup>3</sup>	1,212.1	1,227.3
Regulatory adjustments* <sup>1,2</sup>	(415.4)	(429.9)
Tier 2 capital	2,047.1	2,385.6
of which:		
Tier 2 capital instruments	-	318.9
Eligible Tier 2 capital instruments (grandfathered)* <sup>3</sup>	1,627.4	1,544.2
Unrealized gains on other securities after 55% discount and land revaluation excess after 55% discount* <sup>2</sup>	506.6	628.4
Regulatory adjustments* <sup>1,2</sup>	(182.1)	(198.5)
Total capital	9,561.4	10,343.0
Risk-weighted assets	61,623.3	64,713.5
<b>Common Equity Tier 1 capital ratio</b>	<b>10.63%</b>	<b>10.80%</b>
Tier 1 capital ratio	12.19%	12.29%
Total capital ratio	15.51%	15.98%

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

(JPY bn)	Mar. 31, 2014	Sep. 30, 2014
Variance with CET1 on a transitional basis* <sup>5</sup>	(177.6)	(52.9)
of which:		
Accumulated other comprehensive income	702.4	889.7
of which:		
Net unrealized gains on other securities	759.6	930.5
of which:		
Minority interests (subject to be phased-out)	(104.8)	(85.7)
Regulatory adjustments related to CET1	(775.1)	(856.9)
<b>Common Equity Tier 1 capital</b>	<b>6,373.2</b>	<b>6,936.5</b>
Risk-weighted assets	61,339.2	64,432.1
<b>Common Equity Tier 1 capital ratio</b>	<b>10.3%</b>	<b>10.7%</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

## Leverage ratio (as of Sep. 30, 2014)

- Around 4.4% (transitional basis, pro forma)

\*1~3 Subject to transitional arrangements. Regulatory adjustments of Tier1 and Tier2 include items that are either phased-in or phased-out as described in \*1 and \*2 below  
\*1 20% of the original amounts are included \*2 20% phase-out is reflected in the figures \*3 Cap is 80% \*4 Based on the Mar. 31, 2019 definition  
\*5 Each figure represents 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 by the FSA

# Topics in 1H, FY3/2015

## Domestic business

- Reviewed client segmentation and fully revised domestic business structure, for the first time since establishment of SMBC

## Corporate business

- Promoted initiatives to support growth industries, including preparation for setting up a healthcare REIT and arranging project finance for renewable energy projects
- Actively extended loans to enhance our customer base such as financing for capital investments by utilizing the loan support program of the BOJ and SMBC Assessment Loans
- SMBC Nikko Securities ranked 2nd in Japanese equities underwriting\*1 and 4th in JPY denominated bonds underwriting\*2

## Consumer business

- Expanded “bank-securities integration model” to all offices in Jul. 2014. SMBC Nikko Securities has established 7 branches since Apr. 2014
- Ranked the highest in investor satisfaction for Full Service National Bank in J.D. Power Asia Pacific 2014 Japan Investor Satisfaction study<sup>SM</sup>. Awarded for 3 consecutive years
- SMBC opened official accounts on Facebook and LINE. Started advertising campaign, including a new TV commercial in Oct. 2014
- SMBC Nikko Securities received 5 titles at “The Contact Center World Awards 2014 APAC” including 3 gold prizes. SMBC Consumer Finance obtained certificate for COPC® CSP\*3 for 2 consecutive years

## International business

- SMBC Europe established Prague Branch. Sumitomo Mitsui Finance & Leasing established New York Branch. Sumitomo Mitsui Card Company started operation in Singapore
- SMBC acquired shares of ACLEDA Bank (Cambodia). SMBC signed a non-binding MoU with The Bank of East Asia (Hong Kong) to increase its investment in the company
- SMBC received the preliminary approval for Foreign Bank License in Myanmar in Oct. 2014
- SMBC ranked No.1 in both global and APAC category of project finance\*4
- SMBC Aviation Capital signed contracts with Airbus SAS in Jul. 2014 and Boeing in Nov. 2014 to purchase 115 aircraft and 80 aircraft respectively

\*1 Global Equity & Equity – Related: Book runner, Underwriting amount. Source: SMBC Nikko, based on data from Thomson Reuters. Japanese corporate related only. Apr. - Sep. 2014

\*2 JPY denominated bonds: Lead manager, Underwriting amount. Source: SMBC Nikko. Corporate bonds, FILP agency bonds, municipality bonds for proportional shares as lead manager, and samurai bonds. Apr. - Sep. 2014 \*3 COPC® CSP: International quality standards for call center operations

\*4 Source: Thomson Reuters (Mandated Arrangers). Jan. - Sep. 2014

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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.