

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

May 15, 2017

Announcement of financial results for FY3/2017

We would like to explain our financial results for FY3/2017, by using *Consolidated financial results for the fiscal year ended March 31, 2017* and its *Supplementary Information*, and *Announcement of New Medium-term Management Plan : “SMFG Next Stage.”*

In this report, “Consolidated” indicates SMFG’s consolidated figures, and “Non-consolidated” indicates SMBC’s non-consolidated figures.

SMFG consolidated financial results

Please turn to page 1. This is an overview of SMFG’s consolidated earnings results.

In line 1, Consolidated gross profit was JPY 2,920.7 billion, JPY 16.8 billion higher compared with the previous fiscal year. This was largely due to an increase in Net trading income at SMBC Nikko Securities by taking advantage of an upturn in the market conditions and profit contribution of SMFL Capital which was consolidated from this fiscal year, despite a decrease in profits at the Treasury Unit of SMBC, which performed well in the previous fiscal year, and the impact from negative interest rates.

General and administrative expenses shown in line 7 were JPY 1,812.4 billion, an increase of JPY 87.6 billion year-on-year mainly due to ongoing expenditures to enhance top-line profit growth and the effects from system investments in the past years, despite of strengthening of cost control in the entire group.

Equity in gains (losses) of affiliates shown in line 8 were up by JPY 60.7 billion year-on-year, primarily due to the absence of goodwill impairment loss of PT Bank Tabungan Pensiunan Nasional Tbk (“BTPN”) recorded in the previous fiscal year.

As a result, Consolidated net business profit in line 9 fell by JPY 10.1 billion year-on-year to JPY 1,132.9 billion.

Total credit cost in line 10 increased by JPY 61.6 billion year-on-year to a net cost of JPY 164.4 billion. This was largely due to the result of additional reserves for possible loan losses at SMBC caused by worsened business results of an obligor with large exposure.

Other income (expenses) in line 17 rose by JPY 106.2 billion year-on-year to a net loss of JPY 17.6 billion, mainly due to the absence of provisions for losses on interest repayments for future interest refund claims made in the previous fiscal year at SMBC Consumer Finance.

Overall, Ordinary profit in line 18 was JPY 1,005.9 billion, up by JPY 20.6 billion year-on-year. Profit attributable to owners of parent, as shown in line 28, rose by JPY 59.8 billion year-on-year to JPY 706.5 billion, mainly as a result of a decrease in tax costs along with an increase in deferred tax assets recoverable in the future, due to implementing the consolidated corporate-tax system from FY3/2018.

SMFG consolidated		(Billions of yen)		
		FY3/2017	Change	FY3/2016
Consolidated gross profit	1	2,920.7	16.8	2,904.0
General and administrative expenses	7	(1,812.4)	(87.6)	(1,724.8)
Equity in gains (losses) of affiliates	8	24.6	60.7	(36.2)
Consolidated net business profit	9	1,132.9	(10.1)	1,142.9
Total credit cost	10	(164.4)	(61.6)	(102.8)
Other income (expenses)	17	(17.6)	106.2	(123.9)
Ordinary profit	18	1,005.9	20.6	985.3
Profit attributable to owners of parent	28	706.5	59.8	646.7

SMBC non-consolidated financial results

Page 2 shows SMBC's non-consolidated earnings results.

Gross banking profit in line 1 rose by JPY 129.4 billion year-on-year to JPY 1,663.7 billion. The primary reason for this was an increase in dividend income from its subsidiary in spite of a decrease in interest income resulting from lower market interest rates in Net interest income of line 3 in the domestic operations.

Expenses in line 15 increased by JPY 11.5 billion year-on-year to JPY 816.9 billion, and Banking profit (before provision for general reserve for possible loan losses) in line 20 was JPY 846.7 billion, up by JPY 117.9 billion year-on-year.

SMBC non-consolidated

(Billions of yen)

		FY3/2017		FY3/2016
			Change	
Gross banking profit	1	1,663.7	129.4	1,534.3
Gross domestic profit	2	1,153.5	123.4	1,030.2
of which Net interest income	3	904.2	116.6	787.6
Gross international profit	9	510.1	6.0	504.1
Expenses (excluding non-recurring losses)	15	(816.9)	(11.5)	(805.5)
Banking profit (before provision for general reserve for possible loan losses)	20	846.7	117.9	728.8

Total credit cost, as shown in line 38, increased by JPY 64.3 billion year-on-year to a net cost of JPY 61.1 billion, primarily on account of incurrence of credit costs caused by worsened business results of an obligor with large exposure.

Gains (losses) on stocks in line 28 increased by JPY 79.7 billion year-on-year to JPY 115.1 billion due to gains on sales from its secondary offering of SMFG shares.

SMBC non-consolidated

(Billions of yen)

		FY3/2017		FY3/2016
			Change	
Provision for general reserve for possible loan losses	22	(37.7)	(37.7)	-
Non-recurring gains (losses)	24	55.0	35.9	19.1
Credit costs	25	(27.5)	(14.3)	(13.2)
Gains on reversal of reserve for possible loan losses	26	-	(6.8)	6.8
Recoveries of written-off claims	27	4.0	(5.6)	9.6
Gains (losses) on stocks	28	115.1	79.7	35.3
Other non-recurring gains (losses)	29	(36.6)	(17.2)	(19.4)
Total credit cost (22+25+26+27)	38	(61.1)	(64.3)	3.2

As a result, Ordinary profit in line 30 rose by JPY 116.1 billion year-on-year to JPY 864.0 billion, and after extraordinary gains (losses) and income taxes, Net income in line 37 was JPY 681.8 billion, up by JPY 72.6 billion year-on-year.

SMBC non-consolidated

(Billions of yen)

		FY3/2017		FY3/2016
			Change	
Ordinary profit	30	864.0	116.1	747.9
Net income	37	681.8	72.6	609.2

Domestic Interest spread

Next, let us explain our domestic interest spread in page 3.

As shown on the table, “Interest spread (C) – (D)”, the difference between “Interest earned on loans and bills discounted (C)” and “Interest paid on deposits, etc. (D)”, was 1.04%, down by 0.17% year-on-year. This was primarily due to a decline in Interest earned on loans and bills discounted resulting from shrinking loan spreads and the decline in market interest rates.

As presented under the table for reference, “Interest spread (E) – (D)” after excluding low-interest loans to the Japanese government, etc. was down by 0.11% year-on-year.

SMBC Non-consolidated (%)

	FY3/2017	Mar. 31, 2017		FY3/2016
		Six months ended Sep. 30, 2016	Six months ended Mar. 31, 2017	
Interest earned on loans and bills discounted (C)	1.05	1.09	1.01	1.24
Interest paid on deposits, etc. (D)	0.01	0.01	0.00	0.03
Interest spread (C) - (D)	1.04	1.08	1.01	1.21

Reference: After excluding loans to the Japanese government, etc.

Interest earned on loans and bills discounted (E)	1.11	1.13	1.08	1.24
Interest spread (E) - (D)	1.10	1.12	1.08	1.21

Unrealized gains (losses) on securities

Next, please turn to page 4.

The table shows figures of SMFG consolidated Unrealized gains (losses) on securities.

Net unrealized gains (losses) on Other securities were a net gain of approximately JPY 2,200 billion. In comparison with March 31, 2016, there was an increase of approximately JPY 300 billion due to a rise in the stock market.

SMFG consolidated (Billions of yen)

		Mar. 31, 2017			
		Net unrealized gains (losses)	Change from Mar. 31, 2016	Gains	Losses
Other securities	2	2,188.7	281.2	2,362.3	173.6
Stocks	3	1,921.9	348.9	1,937.0	15.1
Bonds	4	60.4	(48.8)	71.1	10.7
Others	6	206.5	(18.9)	354.2	147.7

Non-performing loans

Let us move on to page 7, SMBC's non-performing loans.

The ratio of Non-performing loans to Total claims including Normal assets, was 0.65%, improved by 0.13% compared with March 31, 2016.

The total amount of Non-performing loans based on the Financial Reconstruction Act, item marked with an "A" on the table, decreased by JPY 54.9 billion compared with March 31, 2016 to JPY 567.7 billion,.

SMBC non-consolidated		(Billions of yen, %)		
	Mar. 31, 2017 (a)	(a) - (b)	Mar. 31, 2016 (b)	
Bankrupt and quasi-bankrupt assets	118.4	(17.2)	135.6	
Doubtful assets	347.4	(29.0)	376.4	
Substandard loans	101.9	(8.7)	110.6	
Total (A)	567.7	(54.9)	622.6	
Normal assets	86,410.6	7,364.5	79,046.1	
Grand Total (B)	86,978.3	7,309.6	79,668.7	
NPL ratio (A/B)	0.65	(0.13)	0.78	

* The above table is extracted from page 9

Loans

Next, let us move on to page 14, our loan balance.

SMBC's domestic loans increased by JPY 4.4 trillion compared with March 31, 2016, mainly due to an increase in loans to the Japanese government, etc.

Overseas loans increased by JPY 1.9 trillion year-on-year mainly driven by the Americas.

Overall, SMBC's loan portfolio was JPY 75.6 trillion, increased by JPY 6.3 trillion year-on-year.

SMBC non-consolidated		(Trillions of yen)		
	Mar. 31, 2017	Change	Mar. 31, 2016	
Loans	75.6	6.3	69.3	
Domestic offices (excluding Japan offshore banking accounts)	54.5	4.4	50.1	
Overseas offices and Japan offshore banking accounts	21.1	1.9	19.2	

Capital ratio (BIS guidelines)

Now turn to page 16 for consolidated capital ratio on a preliminary basis.

SMFG's consolidated capital ratio as of March 31, 2017 were all well above required levels: (1) Total capital ratio was 16.93%, lower by 0.09% compared with March 31, 2016; (3) Common equity Tier 1 capital ratio was 12.17%, higher by 0.36% compared with March 31, 2016.

SMFG consolidated	Mar. 31, 2017	(a) - (b)	Mar. 31, 2016
	[Preliminary] (a)		(b)
(1) Total capital ratio	16.93	(0.09)	17.02
(3) Common equity Tier 1 capital ratio	12.17	0.36	11.81

Earnings targets and dividends forecast for FY3/2018

Let us move on to the earnings targets for FY3/2018 on page 17.

SMFG's consolidated earnings targets are as follows.

Consolidated net business profit: JPY 1,130 billion
Total credit cost: JPY 210 billion
Ordinary profit: JPY 970 billion
Profit attributable to owners of parent: JPY 630 billion

The targets for SMBC's non-consolidated earnings are as follows.

Banking profit: JPY 600 billion
Total credit cost: JPY 80 billion
Ordinary profit: JPY 550 billion
Net income: JPY 430 billion

Our annual dividends on common stock for FY3/2017 remains at JPY 150 per share, unchanged from our initial announcement. As for FY3/2018, we forecast the annual dividends to be JPY 160 per share, increased by JPY 10 compared with FY3/2017.

New Medium-term Management Plan : “SMFG Next Stage”

Finally, we have formulated a new medium-term management plan for the three years from FY3/2018 to FY3/2020 under the heading of “SMFG Next Stage.” By combining the Group’s strengths with a more focused business management, we aim to be the financial institution of choice for our customers, to achieve sustainable growth and to enhance corporate value through the provision of value-added products and services.

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 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.