

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

November 14, 2017

Announcement of financial results for the six months ended September 30, 2017

We would like to explain our financial results for the six months ended September 30, 2017, by using the *Financial results for the six months ended September 30, 2017 supplementary information*.

SMFG consolidated financial results

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

Consolidated gross profit shown in line 1 was JPY 1,465.8 billion, JPY 48.3 billion higher compared with the six months ended September 30, 2016. This was largely due to the following factors:

- Net interest income increased by realized gains from equity index-linked investment trusts in SMBC.
- Net fees and commissions improved from increased sales of investment products in SMBC Nikko Securities and the steady performance of the credit card business.

General and administrative expenses, as shown in line 7, were JPY 894.6 billion, an increase of JPY 12.6 billion year-on-year. This was mainly due to the impact of yen depreciation and the increase in cost as the top-line profit grew in SMBC Nikko Securities, despite the group-wide initiatives to control costs.

Equity in gains (losses) of affiliates shown in line 8 were up by JPY 17.5 billion year-on-year primarily because The Bank of East Asia recorded gains on sale of its subsidiary.

As a result, Consolidated net business profit in line 9 was JPY 601.3 billion, an increase of JPY 53.2 billion year-on-year.

Total credit cost in line 10 decreased by JPY 20.7 billion year-on-year to JPY 34.1 billion. This was mainly the result of a collection from large obligors in SMBC which we made provisions in the past.

Overall, Ordinary profit in line 19 was JPY 615.5 billion, up by JPY 101.3 billion year-on-year, and Profit attributable to owners of parent as shown in line 29 increased by JPY 61.0 billion year-on-year to JPY 420.2 billion.

SMFG consolidated (Billions of yen)

		Six months ended		Six months ended Sep. 30, 2016
		Sep. 30, 2017	Change	
Consolidated gross profit	1	1,465.8	48.3	1,417.5
Net interest income	2	708.1	47.5	660.6
Net fees and commissions	4	484.6	20.5	464.1
General and administrative expenses	7	(894.6)	(12.6)	(882.0)
Equity in gains (losses) of affiliates	8	30.2	17.5	12.7
Consolidated net business profit	9	601.3	53.2	548.1
Total credit cost	10	(34.1)	20.7	(54.8)
Ordinary profit	19	615.5	101.3	514.3
Profit attributable to owners of parent	29	420.2	61.0	359.2

SMBC non-consolidated financial results

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

In line 1, Gross banking profit was JPY 709.1 billion, JPY 204.9 billion lower compared with the six months ended September 30, 2016 mainly due to the following factors:

- In the international operations, Net interest income, as shown in line 10, increased resulting from loan balance growth.
- In the domestic operations, Net interest income, as shown in line 3, decreased resulting from the absence of dividends of JPY 200 billion from SMBC Nikko Securities recorded in the previous fiscal year.

Expenses in line 15 was JPY 403.8 billion, remained nearly at the same level as the previous year, and Banking profit (before provision for general reserve for possible loan losses) in line 20 was JPY 305.3 billion, decreased by JPY 206.7 billion year-on-year.

SMBC non-consolidated (Billions of yen)

		Six months ended		Six months ended Sep. 30, 2016
		Sep. 30, 2017	Change	
Gross banking profit	1	709.1	(204.9)	914.0
Gross domestic profit	2	447.6	(219.8)	667.5
of which Net interest income	3	353.6	(186.3)	539.9
Gross international profit	9	261.5	14.9	246.6
of which Net interest income	10	127.0	27.0	100.0
Expenses (excluding non-recurring losses)	15	(403.8)	(1.8)	(402.0)
Banking profit (before provision for general reserve for possible loan losses)	20	305.3	(206.7)	512.0

Total credit cost, as shown in line 38, decreased by JPY 17.5 billion year-on-year to a net reversal of JPY 25.5 billion due to the reversal of provisions from large obligors.

Gains (losses) on stocks in line 28 were a net gain of 50.0 billion, up by JPY 34.9 billion year-on-year mainly resulting from an increase in gains on sales of strategic shareholdings.

Other non-recurring gains (losses) in line 29 improved by JPY 42.6 billion year-on-year to a net loss of 12.3 billion mainly due to the absence of provisions of allowance for investment loss for subsidiaries made in the previous fiscal year.

SMBC non-consolidated		(Billions of yen)		
		Six months ended Sep. 30, 2017	Change	Six months ended Sep. 30, 2016
Provision for general reserve for possible loan losses	22	-	(10.4)	10.4
Non-recurring gains (losses)	24	63.2	105.4	(42.2)
Credit costs	25	(3.8)	2.7	(6.5)
Gains on reversal of reserve for possible loan losses	26	25.4	25.4	-
Recoveries of written-off claims	27	3.8	(0.2)	4.0
Gains (losses) on stocks	28	50.0	34.9	15.1
Other non-recurring gains (losses)	29	(12.3)	42.6	(54.8)
Total credit cost (22+25+26+27)	38	25.5	17.5	8.0

As a result, Ordinary profit in line 30 decreased by JPY 111.8 billion year-on-year to JPY 368.5 billion, and Net income, after income taxes, in line 37 was JPY 284.5 billion, down by JPY 113.6 billion year-on-year.

SMBC non-consolidated		(Billions of yen)		
		Six months ended Sep. 30, 2017	Change	Six months ended Sep. 30, 2016
Ordinary profit	30	368.5	(111.8)	480.3
Net income	37	284.5	(113.6)	398.1

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 0.99%, down by 0.09% year-on-year. This was primarily due to a decline in Interest earned on loans and bills discounted resulting mainly from shrinking loan spreads.

SMBC non-consolidated (%)

	Six months ended		Six months ended Sep. 30, 2016
	Sep. 30, 2017	Change	
Interest earned on loans and bills discounted (C)	0.99	(0.10)	1.09
Interest paid on deposits, etc. (D)	0.00	(0.01)	0.01
Interest spread (C) - (D)	0.99	(0.09)	1.08

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 2.4 trillion. In comparison with March 31, 2017, there was an increase of approximately JPY 200 billion due to a rise in the stock market.

SMFG consolidated (Billions of yen)

		Sep. 30, 2017			
		Net unrealized gains (losses)	Change from Mar. 31, 2017	Gains	Losses
Other securities	2	2,407.7	219.0	2,552.8	145.1
Stocks	3	2,111.5	189.7	2,125.1	13.5
Bonds	4	42.6	(17.8)	54.7	12.2
Others	6	253.6	47.2	373.0	119.4

Non-performing loans

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

The Non-performing loans ratio was 0.57%, improved by 0.08% compared with March 31, 2017.

In addition, the total amount of Non-performing loans based on the Financial Reconstruction Act, item marked with an "A" on the table, was JPY 505.4 billion, JPY 62.3 billion lower compared with the amount as of March 31, 2017.

SMBC non-consolidated		(Billions of yen, %)		
		Sep. 30, 2017 (a)	(a) - (b)	Mar. 31, 2017 (b)
	Bankrupt and quasi-bankrupt assets	94.1	(24.3)	118.4
	Doubtful assets	317.7	(29.6)	347.4
	Substandard loans	93.6	(8.3)	101.9
	Total (A)	505.4	(62.3)	567.7
	Normal assets	88,093.1	1,682.5	86,410.6
	Grand Total (B)	88,598.5	1,620.2	86,978.3
	NPL ratio (A/B)	0.57	(0.08)	0.65

* 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 0.3 trillion compared with September 30, 2016 and overseas loans increased by JPY 4.9 trillion mainly driven by the Americas and Asia.

Overall, SMBC's loan portfolio grew by JPY 5.2 trillion year-on-year to JPY 76.2 trillion.

SMBC non-consolidated		(Trillions of yen)		
		Sep. 30, 2017	Change	Sep. 30, 2016
	Loans	76.2	5.2	71.1
	Domestic offices (excluding Japan offshore banking accounts)	53.6	0.3	53.3
	Overseas offices and Japan offshore banking accounts	22.6	4.9	17.7

Capital ratio (BIS guidelines)

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

The figures for SMFG's consolidated capital ratio as of September 30, 2017 were all well above required levels: (1) Total capital ratio was 17.69%, higher by 0.76% compared with March 31, 2017; (3) Common equity Tier 1 capital ratio was 12.96%, higher by 0.79% compared with March 31, 2017.

SMFG consolidated	(%)		
	Sep. 30, 2017 [Preliminary] (a)	(a) - (b)	Mar. 31, 2017 (b)
(1) Total capital ratio	17.69	0.76	16.93
(3) Common equity Tier 1 capital ratio	12.96	0.79	12.17

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 above targets are unchanged from our targets announced in May.

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

Banking profit: JPY 610 billion
Total credit cost: JPY 80 billion
Ordinary profit: JPY 580 billion
Net income: JPY 450 billion

Our dividends forecast on common stock for FY3/2018 remains at JPY 160 per share annually and JPY 80 per share for an interim dividend as announced in May since our target of Profit attributable to owners of parent has not been changed.

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; incurrence of significant credit-related costs; our ability to successfully implement our business strategy through our subsidiaries, affiliates and alliance partners; and exposure to new risks as we expand the scope of our business. 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.