



Overview of FY2008 Business Performance and Management Policy in FY2009

Sumitomo Mitsui Financial Group, Inc.

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Overview of FY08 Business Performance

Due to financial market turmoil, a sharp decline in stock prices, and a slowdown in the global economy since last year, we suffered an impairment loss on stocks and an increase in credit cost for FY2008. In order to quickly adapt to the adverse environment and promote a steady earnings recovery on and after FY2009, we made additional provisions for economic deterioration and recognized deferred tax assets conservatively.

Coping with uncertainty in business environment

Banking profit*¹ increased y-o-y

Through;

- An increase in Net interest income and an improvement of gain (loss) on bonds
- Controlling SMBC's OHR*² to below 50%

*1 SMBC non-consolidated *2 Overhead ratio

Financial measure

- Made additional provisions for economic deterioration
- Recognized deferred tax assets conservatively

Secured Capital ratio above 11%, Tier I ratio above 8%

- Issued Tier I preferred securities (approx. JPY1.1 tri. in FY08)
- Implemented Advanced-IRB method in Basel II

Taking a step forward to accomplish medium-/long-term growth

Solution Providing for Corporations

- Initiatives to provide clients with a sufficient supply of funds
- Fortified corporate business depts. & co-operating specialized depts.
(Established Global Advisory Dept., in addition to Corporate Advisory Div. and Private Advisory Dept.)

Improving product/service line-up in Financial Consulting

- Expanded channels to provide level-premium insurances

Credit Card Business

Established Oct. 08

- Established "SMFG Card & Credit," which manages Group's business

Overseas

- Strategic alliances with leading commercial banks in the region

Barclays plc

Kookmin Bank
(Korea)

Bank of East Asia
(Hong Kong)

First Commercial
Bank (Taiwan)

**Taking a step forward to accomplishing medium-/long-term growth,
while coping with uncertainty in business environment**

(Reference) Overview of Financial Results in FY08

P/L

		FY08	YOY change
		(JPY bn)	
SMBC non-consolidated	Gross banking profit	1,524.9	+ 40.1
	Expenses	(701.5)	(36.4)
	<Overhead ratio>	46.0%	+ 1.2%
	Banking profit*1	823.4	+ 3.7
	Total credit cost	(550.1)	(402.3)
	Net income (loss)	(301.1)	(506.8)

SMFG consolidated	Net income (loss)	(373.5)	(835.0)
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B/S related

		Mar. 09	YOY change
		(JPY bn)	
SMBC non-consolidated	Deferred tax assets*2	664.1	(305.4)

SMFG consolidated	Capital ratio (preliminary)*3	11.47%	+ 0.91%
	Tier I ratio (preliminary)*3	8.22%	+ 1.28%

*1 Before provision of general reserve for possible loan losses

*2 Excluding deferred tax assets on net deferred loss on hedges and deferred tax liabilities on net unrealized gain on other securities

*3 Adopted the Advanced Internal Ratings-Based Approach for the measurement of credit risk-adjusted assets on March 31, 2009.

The Foundation Internal Ratings-Based Approach was adopted on March 31, 2008.

Management Policy and Strategic Initiatives in FY09

"Establishing the next foundation for future growth, while continuing to strengthen businesses consistent with our philosophy of 'follow the basics.' "

We will maintain stringent control on expenses, credit costs, and risk-adjusted assets, while taking the necessary actions for medium-/long-term growth: realizing a solid financial base as a global player and fortifying targeted growth business areas.

Managing expenses, credit costs, and risk-adjusted assets

Expenses

- Allocate resources to growth areas
- Increase operational efficiency

▶ *Keeping SMBC's OHR below 50%*

Credit costs

- Fortify credit risk management on a global basis
- Enhance our ability to manage risks

Risk-adjusted Assets

- Provide customers with a sufficient supply of funds
- Fulfill our role as a financial intermediary optimally and more actively
- Improve risk-return profile of credit portfolio

▶ *Sustaining consolidated Tier I ratio of approx. 8%*

Realizing a solid financial base as a global player

Filed a shelf registration statement for common stock (Apr. 09)

▶ Permit us to flexibly issue new shares

Fortifying targeted growth business areas

- We will continue to strengthen businesses consistent with our principles on the key word 'follow the basics.' -

Solution providing for corporation / investment banking, trust business

- Meeting the financing needs of SME customers
- Enhancing collaboration with Daiwa Securities SMBC (responding to the relaxing of firewall regulations)

Financial consulting for individuals

- Expanding product/service lineup
 - Enhancing consultants' skills
- ▶ *Aiming to realize "total consulting services"*

Payment & settlement, consumer finance

- Realize synergies within two-company system consists of Sumitomo Mitsui Card and Cedyne Financial
- ▶ *Working toward "the number one credit card business entity in Japan"*
- Joint business development of ORIX Credit

Focused business areas in Global Market

- Established "Sumitomo Mitsui Banking Corporation (China) Limited"
- Promoting alliance with Barclays plc (wealth management, business in South Africa)

Acquisition of Nikko Cordial Securities and other related businesses

▶ *Creating a new leading financial services group and Increasing growth potential*



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