

# Business Performance of 1st Half, FY3/2011

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**Sumitomo Mitsui Financial Group, Inc.**

November 12, 2010

# Overview of Business Performance of 1H, FY3/2011 and Progress of Strategic Initiatives

Both SMFG's consolidated Net income and SMBC's non-consolidated Net income in 1H, FY3/2011 were the highest half-year Net income since the merger in April 2001.

We have strengthened overseas business and Nikko Cordial Securities, while achieved listing on NYSE.

## Securing a resilient capital base

### Favorable performance

#### Banking profit\* SMBC non-consolidated

**Substantially increased** YOY change +JPY 115.7 bn **JPY 493.3 bn**

#### Overhead ratio SMBC non-consolidated

**Decreased** YOY change (6.3)% **41.2%**

#### Total credit cost SMBC non-consolidated

**Substantially decreased** YOY change +JPY 113.6 bn **JPY (43.3) bn**

#### Net income SMFG consolidated

**Highest half-year Net income** YOY change +JPY 294.0 bn **JPY 417.5 bn**

#### Tier I ratio (preliminary) SMFG consolidated

**Increased** Compared with Mar. 2010 +1.17% **12.32%**

Listed on NYSE (Nov. 2010)

## Reinforcing business portfolio to achieve sustainable growth

### Overseas business especially in Asia

Enhanced SMBC's overseas channel centered on China and organization

- ✓ Enhanced framework to support customers in a globally integrated manner
- ✓ Opened 3 channels and received approval to open 3 channels
- ✓ Integrated investment banking functions in Asia

Agreed capital/business alliance with Kotak Mahindra Bank (India)

Agreed business alliance with Banco de Bogota (Colombia)

### Wholesale / Retail Securities Business (Nikko Cordial Securities)

Enhanced collaboration with SMBC

- ✓ Private banking: Commenced joint business with SMBC and Barclays (Jun. 2010)
- ✓ Stated bank agency services (Oct. 2010)

Strengthened equity-related business

- ✓ Commenced operations of new equity trading system (Aug. 2010)
- ✓ Established Equity Research Division (Aug. 2010)

Started securities business in the U.K. through SMBC's subsidiary (Oct. 2010)

Named as a primary dealer of JGB (Apr. 2010)

Made Cedyna a consolidated subsidiary (May 2010)

# (Reference) Summary of 1H, FY3/2011 Results

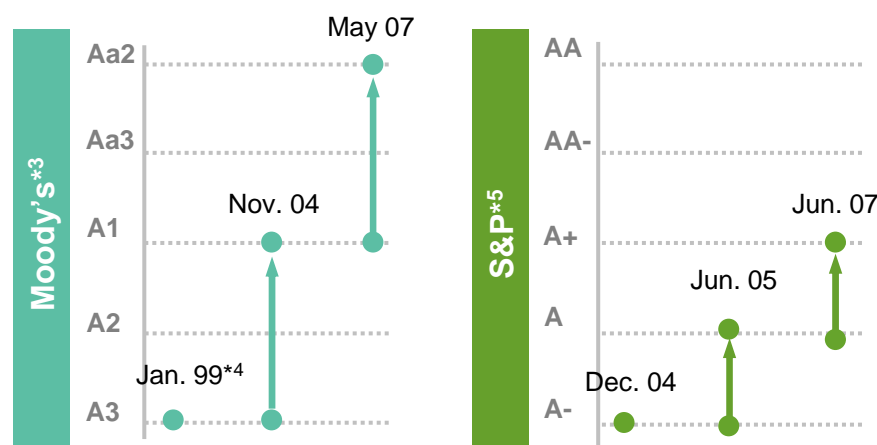
## P/L

		1H, FY3/11	YOY change	Change from May 10 forecast
(JPY bn)				
SMBC <non-consolidated>	Gross banking profit	838.6	+ 119.3	+ 118.6
	Expenses	(345.3)	(3.6)	+ 4.7
	<OHR>	41.2%	(6.3)%	(7.4)%
	Banking profit*1	493.3	+ 115.7	+ 123.3
	Total credit cost*2	(43.3)	+ 113.6	+ 66.7
	Gains (losses) on stocks	(18.3)	+ 18.5	
	Ordinary profit	393.0	+ 245.9	+ 173.0
	Net income	351.2	+ 238.6	+ 201.2
SMFG <consolidated>	Ordinary profit	540.6	+ 318.4	+ 210.6
	Net income	417.5	+ 294.0	+ 257.5

## Ref. Capital/Tier I ratio (preliminary)

		Sep. 30, 10	Change from Mar 31. 10
SMFG <consolidated>	Capital ratio	16.02%	+ 1.00%
	Tier I ratio	12.32%	+ 1.17%

## Ref. Credit ratings (SMBC)



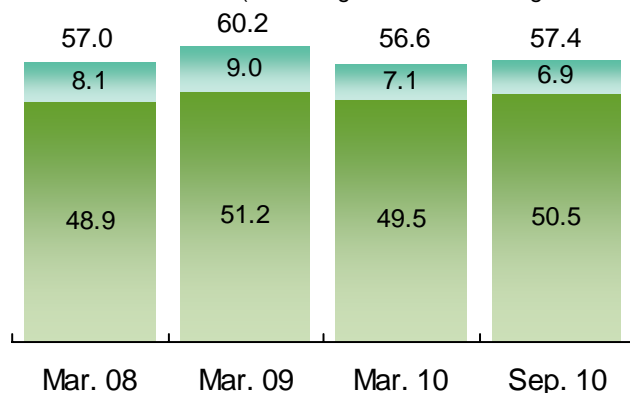
\*1 Before provision for general reserve for possible loan losses \*2 Including portion recorded in Extraordinary gains (losses)  
 \*3 Issuer rating \*4 Long term local currency issuer credit rating of Sumitomo Bank \*5 Long term local currency issuer credit rating

# (Reference) 1H, FY3/2011 B/S-related Items

## Loan balance

(JPY tn) (SMBC non-consolidated)

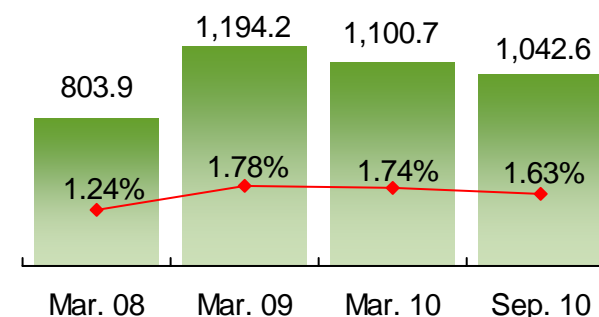
- Overseas offices and offshore banking accounts
- Domestic offices (excluding Offshore banking account)



## NPLs and NPL ratio\*

(JPY bn) (SMBC non-consolidated)

- Amount of NPLs
- NPL ratio



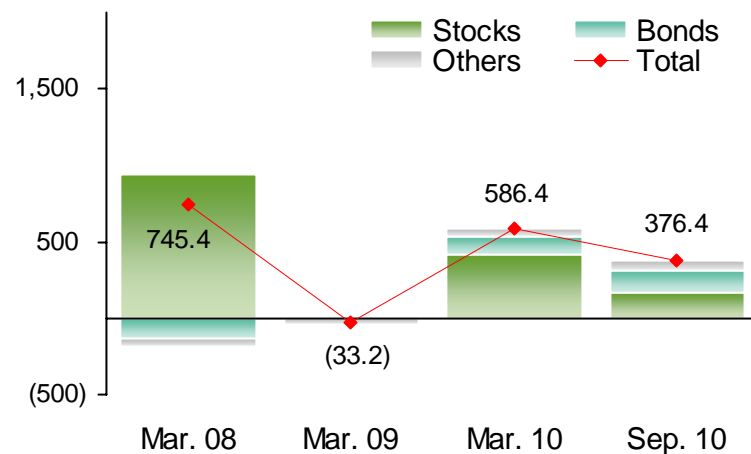
Coverage ratio	Mar. 08	Mar. 09	Mar. 10	Sep. 10
	80.60%	86.11%	90.56%	88.82%

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

## Unrealized gains (losses) on other securities

(JPY bn) (SMFG consolidated)

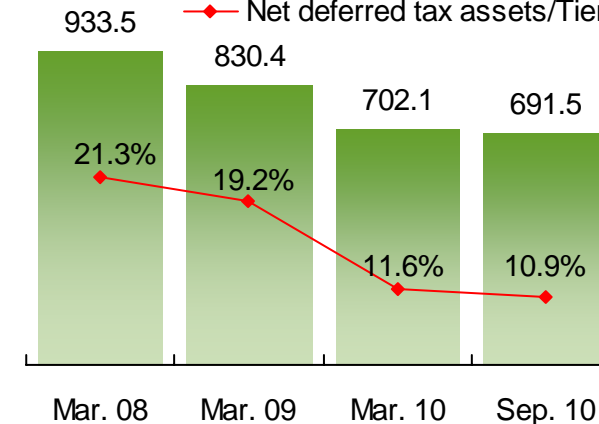
- Stocks
- Bonds
- Others
- Total



## Net deferred tax assets

(JPY bn) (SMFG consolidated)

- Net deferred tax assets
- Net deferred tax assets/Tier I



# (Reference) Management Policy in FY3/2011

## Management policy in FY3/11

- ✓ “Forward looking”
  - Transforming our business model to grow steadily under a new regulatory and competitive environment
- ✓ Emphasizing return on risks and costs, in order to improve asset quality and thoroughly control expenses and credit costs

**Pursue profitability by focusing on targeted growth business areas**

**Further enhance customer responsiveness by leveraging advisory functions**

**Fortify bottom-line profit by reviewing current business**

**Further increase productivity by improving business processes**

### [SMFG’s targeted growth business areas]

#### Overseas business especially in Asia

Solution providing for corporations / Investment banking, trust business

#### Retail / Wholesale securities business

Financial consulting for individuals

Payment & settlement services, consumer finance

- Improving risk-return profile by rebalancing our asset portfolio towards assets with high growth potential from assets with low yields while meeting customers’ financing needs / Controlling credit costs and expenses
- Steadily accumulating earnings based on our management plan
- Minimizing risks to our capital posed by volatility in our equity holdings
- Promoting initiatives toward NYSE listing

**Reinforcing business portfolio to achieve sustainable growth**

**Target around 10% of consolidated ROE in the medium term**

**Securing a resilient capital base**

**Maintain over around 10% of consolidated Tier I ratio**



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

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