

## (Reference 1) Management Policy in FY3/2011 and Business Performance of 1st Half

**Management Policy and Strategic Initiatives in FY3/2011: " '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"**

In order to "secure a resilient capital base" and "reinforce our business portfolio to achieve sustainable growth," we will strengthen our profitability through allocating more capital and resources into targeted growth business areas including overseas business and securities business. We will also implement improvement of risk-return profile by rebalancing our asset portfolio towards assets with high growth potential from assets with low yields and control on credit costs, while meeting customers' financial needs.

**Securing a resilient capital base**⇒ Maintain over around 10% of consolidated Tier I ratio

- 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

- <Fortify bottom-line profit by reviewing current business / Further increase productivity by improving business processes>
- 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
- <Pursue profitability by focusing on targeted growth business areas / Further enhance customer responsiveness by leveraging advisory functions>

**Focused Business Areas in Global Markets**

Solution Providing for Corporations / Investment Banking, Trust Business

**Wholesale / Retail Securities Business**

Financial Consulting for Individuals

Payment &amp; Settlement Services, Consumer Finance

**Overview of Business Performance of 1st Half, FY3/2011 and Progress of Strategic Initiatives**

SMFG's Consolidated net income in 1st Half, FY3/2011 increased by JPY 294.0 billion year over year to JPY 417.5 billion, JPY 257.5 billion higher than May 2010 forecast, due mainly to favorable performance of SMBC and contribution of other group companies. Both SMFG's consolidated Net income and SMBC's non-consolidated Net income were the highest half-year Net income since the merger in April, 2001.

We have fortified our overseas operation through expanding channel network and reinforcing our organization. At the same time, we have enhanced collaborative framework between SMBC and Nikko Cordial Securities, while strengthening Nikko's wholesale business. In addition, in order to accelerate "development of our business as a global player," we listed on NYSE in November, 2010.

**Securing a resilient capital base****<Favorable performance>  
(SMBC non-consolidated)**

Gross banking profit — Marketing units' performance was fairly in line with the business plan

Treasury Unit's performance substantially increased compared with the business plan

Overhead ratio — Substantially decreased year over year

Total credit cost — Substantially decreased year over year

**(SMFG consolidated)**

Net income — Substantially increased compared with 1H, FY3/10 and May 2010 forecast due mainly to increase in SMBC's Net income

Tier I ratio — Increased to 12.32% (as of Sep. 2010)

(preliminary)

Change from  
May 2010

	(JPY bn)	1H, FY3/11	YOY change	forecast
<SMBC non-consolidated>	Gross banking profit	838.6	+ 119.2	+ 118.6
	Expenses	(345.3)	(3.6)	+ 4.7
	<OHR>	41.2%	(6.3)%	(7.4)%
	Banking profit*	493.3	+ 115.6	+ 123.3
	Total credit cost	(43.3)	+ 113.6	+ 66.7
	Net income	351.2	+ 238.6	+ 201.2
<SMFG consolidated>	Net income	417.5	+ 294.0	+ 257.5

\* Before provision for general reserve for possible loan losses

**Reinforcing business portfolio to achieve sustainable growth****<Focused Business Areas in Global Markets>**

- Reorganized to facilitate support for Japanese corporate customers in China in a globally integrated manner (Apr. 2010)
- Expanded overseas channel network centered on China
  - Opened 3 channels and received approval to open 3 channels
- Established Financial Products Marketing Dept. in Singapore (May 2010)
- Agreed capital/business alliances with leading local banks
  - Kotak Mahindra Bank (India), Banco de Bogota (Colombia)

**<Wholesale / Retail Securities Business (Nikko Cordial Securities)>**

- Named as a primary dealer of JGB (Apr. 2010)
- Strengthened equity-related business
  - Commenced operations of new equity trading system, Established Equity Research Division (Aug. 2010)
- Expansion of overseas network
  - Started securities business in the U.K. through SMBC's subsidiary (Oct. 2010)
- Enhanced collaboration with SMBC
  - Expanded referral services for corporations
  - Commenced securities intermediary business for individuals
  - Established joint private banking business with SMBC and Barclays (Jun. 2010)
  - Started bank agency services (Oct. 2010)

etc.

**<Listed on NYSE (Nov. 2010)>**