

Provisional translation of  
the original Japanese version



SMFG SUMITOMO MITSUI  
FINANCIAL GROUP

# Overview of 1Q, FY3/2011 Financial Results

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**Sumitomo Mitsui Financial Group, Inc.**

July 28, 2010

This material contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

# 1. Summary of 1Q, FY3/2011 Results

## Management policy 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

Fortify bottom-line profit by reviewing current business /  
Further increase productivity by improving business process

Pursue profitability by focusing on targeted growth business areas /  
Further enhance customer responsiveness by leveraging  
advisory functions

<b>Banking profit</b> <span style="float: right;">SMBC non-consolidated</span>		
<b>Increased</b>	YOY change + 24.5 bn	<b>JPY 219.9 bn</b>
<b>Overhead ratio</b> <span style="float: right;">SMBC non-consolidated</span>		
<b>Controlled below 50%</b>	YOY change (3.0)%	<b>44.3%</b>
<b>Total credit cost</b> <span style="float: right;">SMBC non-consolidated</span>		
<b>Substantially decreased</b>	YOY change + 58.5 bn	<b>JPY (10.8) bn</b>
<b>Net income</b> <span style="float: right;">SMFG consolidated</span>		
<b>Substantially increased</b>	YOY change + 139.0 bn	<b>JPY 211.8 bn</b>

## Nikko Cordial Securities

- Good performance in investment trust sales, bond trading and bond underwriting
- Collaboration with SMBC in retail business
  - Started intermediary services of financial products for individual clients (Apr. 2010)
  - Started dealing with single-premium type variable permanent life insurance which is jointly projected and developed (May 2010)
  - Started private banking operation through alliance with SMBC and Barclays (Jul. 2010)
- Collaboration with SMBC in wholesale business
  - Steadily expanded referral and intermediary service

## Overseas business especially in Asia

- Expansion of channels / enhancement of functions
  - Established Financial Products Marketing Dept. (May 2010)
  - Received approval to establish a subsidiary bank in Malaysia (Jun. 2010)
  - Offices in mainland China: Increased to fourteen by establishment of two channels (Jul. 2010)
- Investment in Kotak Mahindra Bank in India (agreed in Jun. 2010)

**Made Cedyna a consolidated subsidiary (May 2010)**

## 2. Summary of 1Q, FY3/2011 Results

SMBC's non-consolidated Banking profit increased by JPY 24.5 billion year over year, due mainly to an increase in Gains on bonds led by ALM operations that quickly responded to fluctuation in market interest rates. A decrease of Total credit cost and profit of Nikko Cordial Securities also contributed to an increase of SMFG's consolidated Net income, which increased by JPY 139.0 billion year over year to JPY 211.8 billion

### P/L

		Apr.-Jun. 10 Results	YOY change	1H FY3/11 Forecast	FY3/11 Forecast
		(JPY bn)			
SMBC <non-consolidated>	Gross banking profit	395.1	+ 24.1	720	1,470
	Expenses	(175.2)	+ 0.4	(350)	(710)
	OHR	44.3%	(3.0)%	48.6%	48.3%
	Banking profit*1	219.9	+ 24.5	370	760
	Total credit cost*2	(10.8)	+ 58.5	(110)	(220)
	Ordinary profit	198.0	+ 88.7	220	480
	Net income	175.8	+ 67.8	150	330
SMFG <consolidated>	Ordinary profit	273.2	+ 158.0	330	690
	Net income	211.8	+ 139.0	160	340

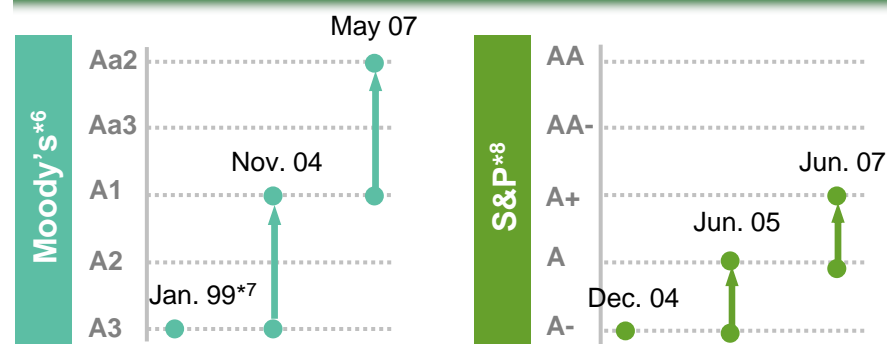
Ref.

### Macro economic indices

	Jun. 10 Results	Assumption for FY3/11 Forecast
Nominal GDP Growth rate	1.0%*3	around Zero*4
3M TIBOR	0.39%	0.44%
FF target rate	0.00 - 0.25%	0.00 - 0.25%
Exchange rate (JPY/USD)	88.52	90
Ref. Nikkei Stock Average (JPY)	9,383	11,090*5

Ref.

### Ratings (SMBC)

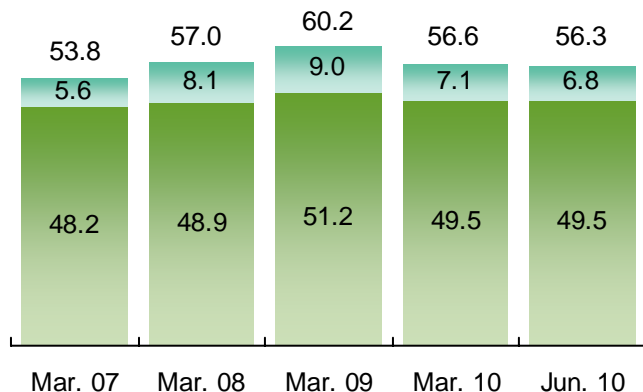


### 3. 1Q, FY3/2011 B/S-related Items

#### Loan balance

(JPY tn) (SMBC non-consolidated)

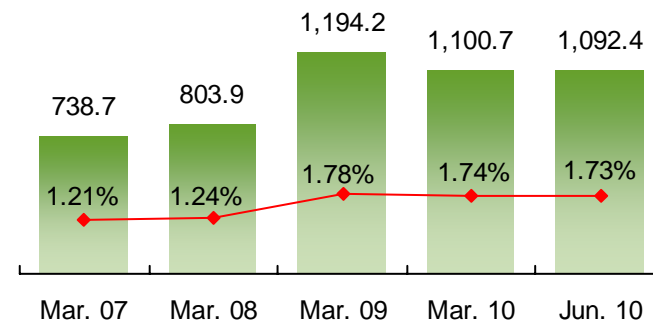
- Overseas offices and offshore banking accounts
- Domestic offices (excluding Offshore banking account)



#### NPLs and NPL ratio\*

(JPY bn) (SMBC non-consolidated)

- Amount of NPLs
- NPL ratio



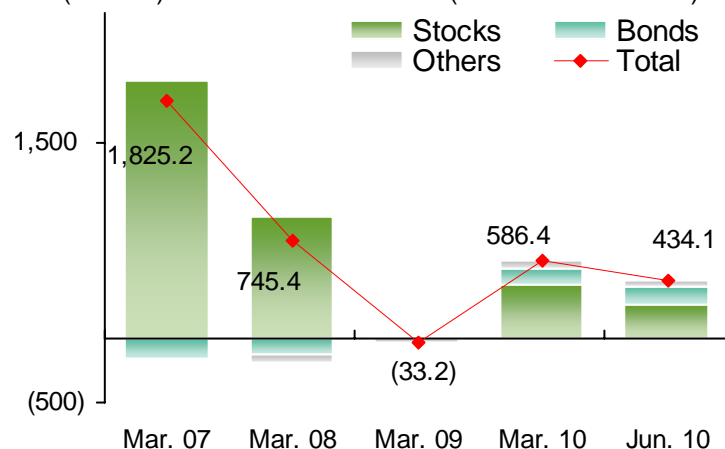
Coverage ratio	Mar. 07	Mar. 08	Mar. 09	Mar. 10	Jun. 10
	79.42%	80.60%	86.11%	90.56%	-

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

#### Unrealized gains (losses) on other securities

(JPY bn) (SMFG consolidated)

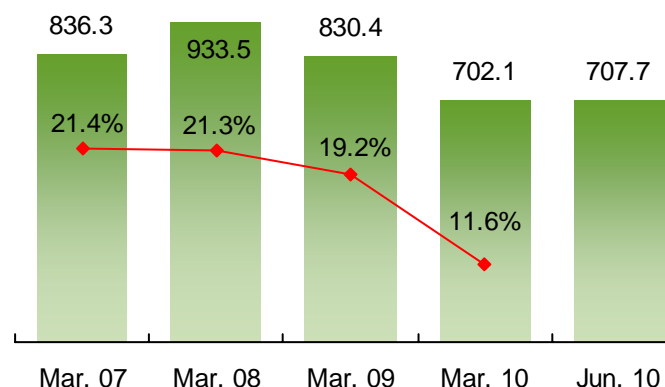
- Stocks
- Bonds
- Others
- Total



#### Net deferred tax assets

(JPY bn) (SMFG consolidated)

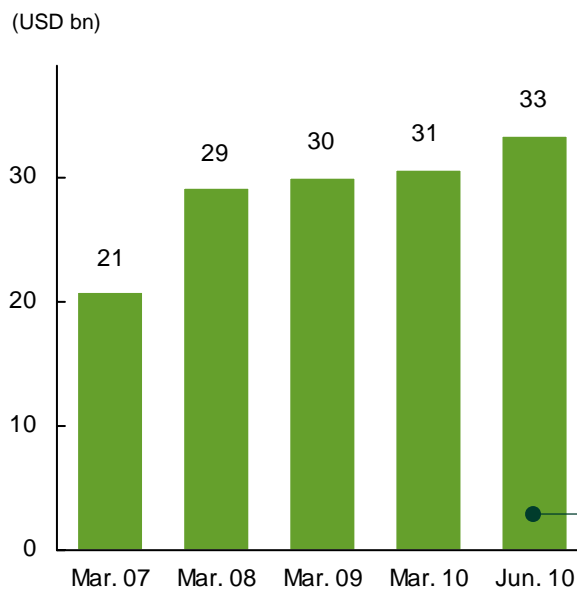
- Net deferred tax assets
- Net deferred tax assets/Tier I



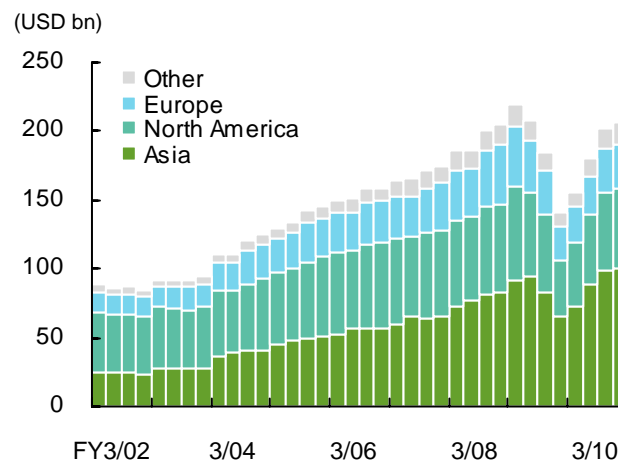
# (Reference 1) Our Approaches in Asia (1)

We have been expanding our loans in Asia, capturing opportunities such as increase of sales of overseas subsidiaries of Japanese companies, and expanding demand related to infrastructure investment

## Loans in Asia (balance) \*1



## Sales of overseas subsidiaries of Japanese companies\*2

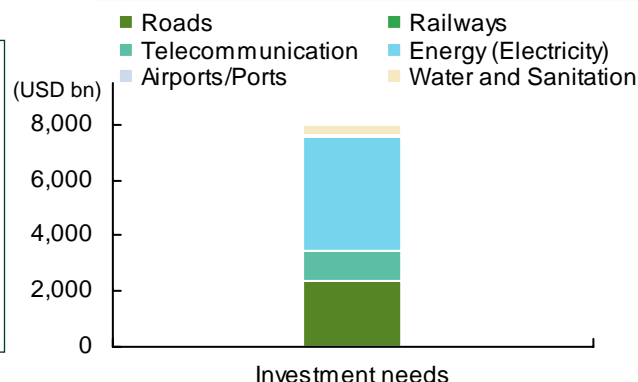


## Project finance mandated lead arranger ranking

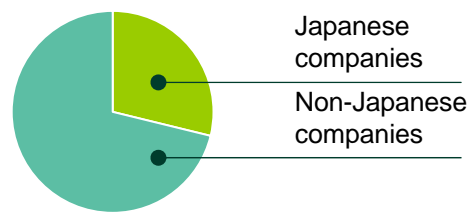
Jan.-Jun. 2010, Asia Pacific\*4

			(USD mn)		
	Financial institutions	Headquarters	Volume		
1	ANZ Banking Group	Australia	659.33		
2	Societe Generale	France	651.53		
3	BNP Paribas	France	627.12		
4	<b>SMFG</b>	<b>Japan</b>	<b>607.55</b>		
5	MUFG	Japan	510.31		
6	Intesa Sanpaolo	Italy	455.00		
7	Credit Agricole Group	France	453.52		
8	Mizuho Financial Group	Japan	448.81		
9	Commonwealth Bank of Australia	Australia	436.18		
10	National Australia Bank	Australia	373.60		

## Asia's infrastructure investment needs (2010-20)\*3



## Breakdown by Japanese / non-Japanese companies



\*1 Sum of SMBC and SMBC (China). Managerial accounting basis (JPY based loan balance is exchanged to USD at respective term-end FX rate)

\*2 Source: Ministry of Economy, Trade and Industry "Quarterly Survey of Overseas Subsidiaries."

Asia: Composed of China (including Hong Kong), Indonesia, Thailand, Philippines, Malaysia, Singapore, Taiwan, South Korea, India, Vietnam, Sri Lanka, Pakistan, Bangladesh, Myanmar and Laos

\*3 Source: Joint study of ADB and ADBI, "Infrastructure of a seamless Asia"

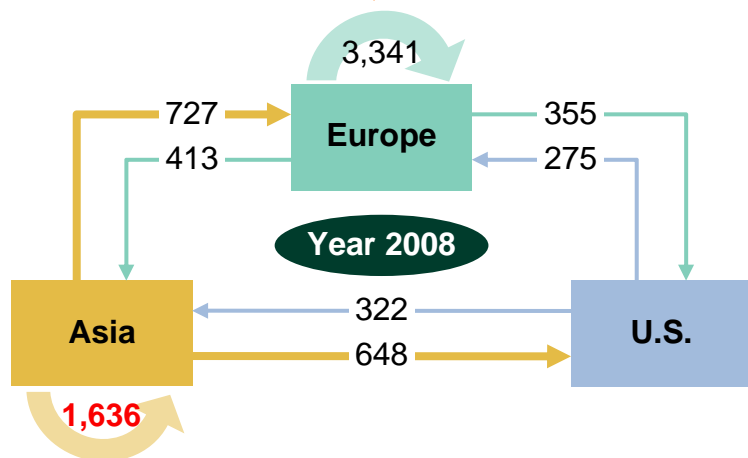
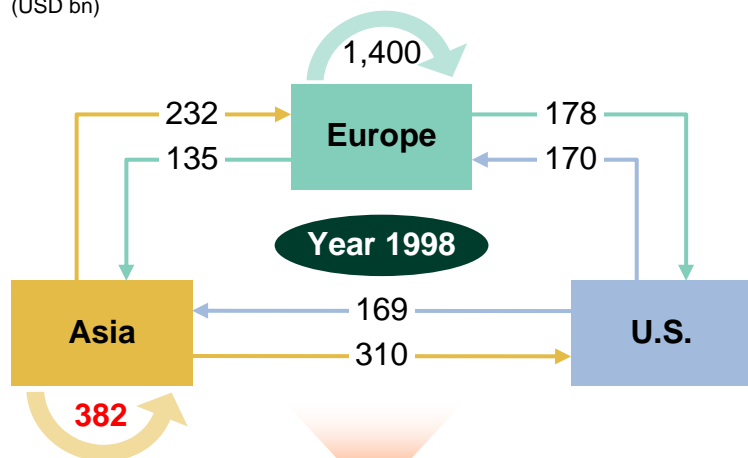
\*4 Source: Infrastructure Journal. Asia Pacific region includes Australia

# (Reference 2) Our Approaches in Asia (2)

By capturing dynamic changes of flows of goods and capital among Asia, we also aim to expand our trade finance and settlement services

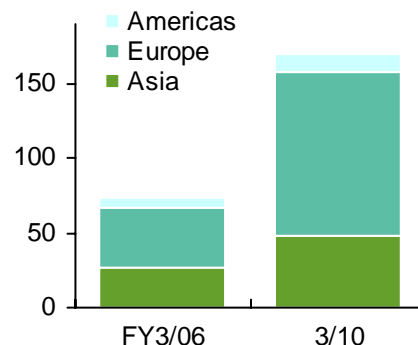
## Trade between/among each areas\*1

(USD bn)



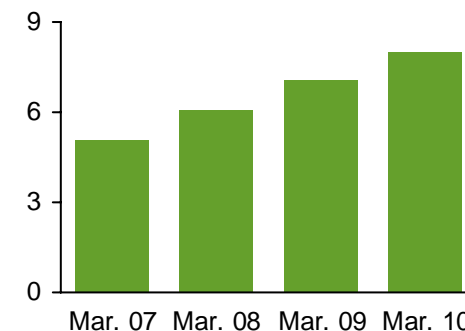
## Income from trade finance\*2

(USD mn)

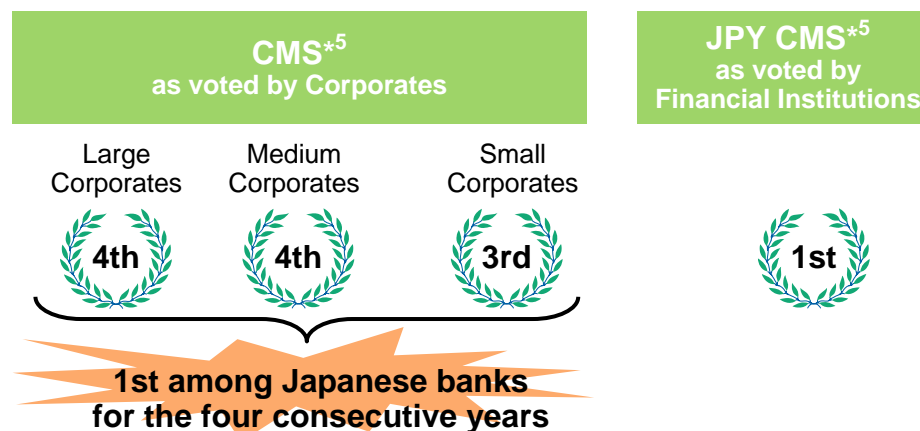


## # of overseas electronic banking contracts\*3

(thousands of contracts)



## Cash management providers' ranking (in Asia Pacific) \*4



\*1 Source: Research Institute of Economy, Trade & Industry, "RIETI-TID2009"

\*2 Managerial accounting basis (exchanged to USD at respective term-end FX rate). Sum of SMBC and its overseas subsidiaries. Before adjustment of double counting

\*3 Sum of all electronic banking services from overseas branches (SMBC non-consolidated basis)

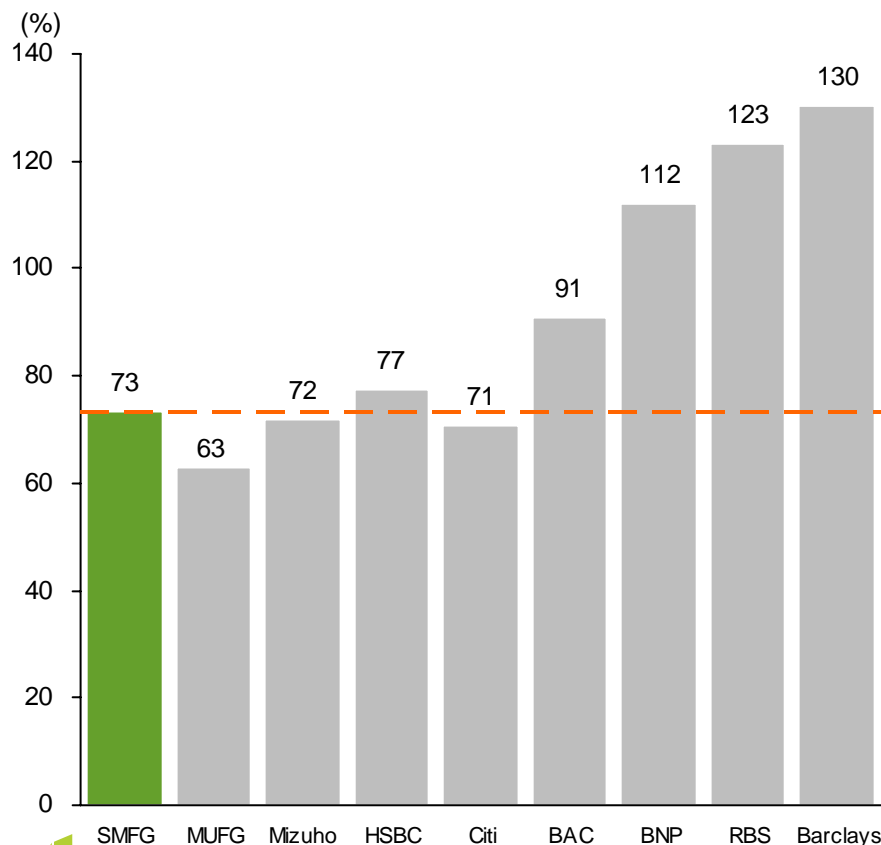
\*4 Source: "ASIAMONEY": "The Cash Management Poll 2009" (Aug. 09) \*5 "CMS" stands for "Cash Management Service"

# (Reference 3) Liquidity

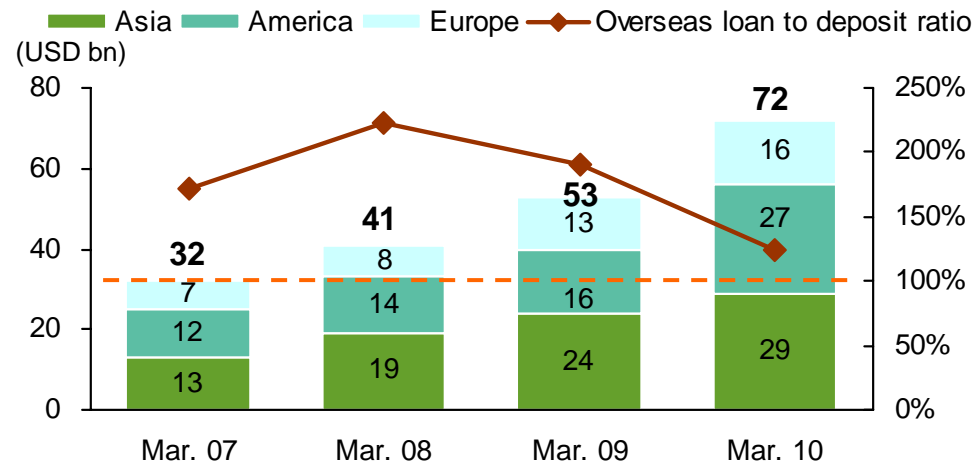
Although we have competitive advantage in liquidity position represented by loan to deposit to global peers, we will continue to pay due regards to liquidity risks and aim to keep prudent liquidity management to secure solid investment and funding structure, taking into account liquidity regulation under discussion. Especially, we will further expand and diversify our funding base of foreign currency

## Loan to deposit ratio

Comparison with Japanese mega banks and global major banks\*1



## Overseas deposits\*2



## Management policy for foreign-currency funding

- Diversify medium- to long-term funding base with due consideration to liquidity regulation under discussion
  - FY3/10 Results: Foreign-currency retail bond issuance  
U.S. Dollar CP program set up
  - FY3/11 Plan: Considering to issue foreign-currency bonds and other measures
- Results: Issued USD denominated senior bonds in Jul. 2010 (USD 1 bn for 3Y and 5Y bonds, respectively)

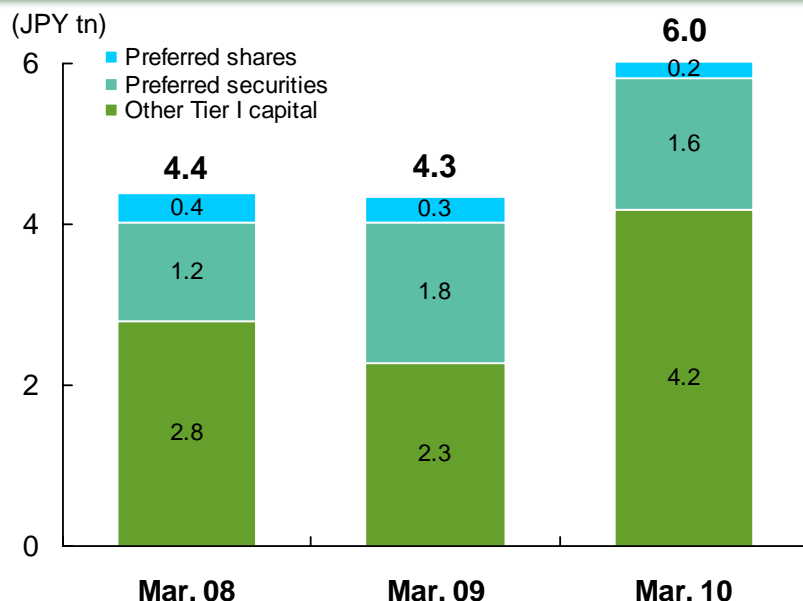
\*1 Consolidated basis. Based on each company's disclosure. SMFG / MUFG / Mizuho FG: as of Mar. 2010, Others: as of Dec. 2009.

\*2 Managerial accounting basis. Sum of SMBC (non-consolidated), SMBC Europe and SMBC (China)

# (Reference 4) Capital

In addition to the common equity offering totaling JPY 1.8 trillion raised during last fiscal year, we repurchased hybrid securities in overseas market and made preferred shares held by Goldman Sachs converted, in order to strengthen our capital base both in quality and quantity. We do not intend to execute another common equity offering from the viewpoint of meeting capital requirement under discussion

Tier I capital / Tire I ratio\*1



Tier I capital raising and redemption since 08

Feb. 08	JPY 135.0 bn	Preferred securities (Non step-up)	Domestic market
<b>Refinanced</b> → May 08	USD 1,800 mn	Preferred securities (Non step-up)	Overseas market (Asian retail)
Jun. 08	USD (1,800) mn	Preferred securities (Step-up)	Redemption of "OPCO" (SB Treasury Company LLC)
Jul. 08	USD 1,350 mn / GBP 250 mn	Preferred securities (Step-up)	Overseas market
Dec. 08 – Jan. 09	JPY 698.9 bn	Preferred securities (Step-up/Non step-up)	Domestic market
<b>Refinanced</b> → Jan. 09	JPY 283.8 bn	Preferred securities (Non step-up)	Redemption of "SPCL" (Sakura Preferred Capital (Cayman) Limited)
<b>Refinanced</b> → Jun. 09	JPY 340.0 bn	Preferred securities (Non step-up)	Redemption of "SBES" (SB Equity Securities (Cayman), Limited)
Jun. – Jul. 09	JPY 861.0 bn	Common shares	Domestic and overseas market
<b>Refinanced</b> → Sep. – Oct. 09	JPY 388.0 bn	Preferred securities (Step-up/Non step-up)	Domestic market
Jan. – Feb. 10	JPY 973.0 bn	Common shares	Domestic and overseas market
Feb. 10	approx. JPY 150 bn	Preferred securities	Tender offering (overseas market)

	Mar. 08	Mar. 09	Mar. 10
Tier I ratio	6.94%	8.22%	11.15%
Ref. "Core Tier I" ratio*2	4.4%	4.3%	7.7%
Risk-adjusted assets (JPY tn)	63	53	54

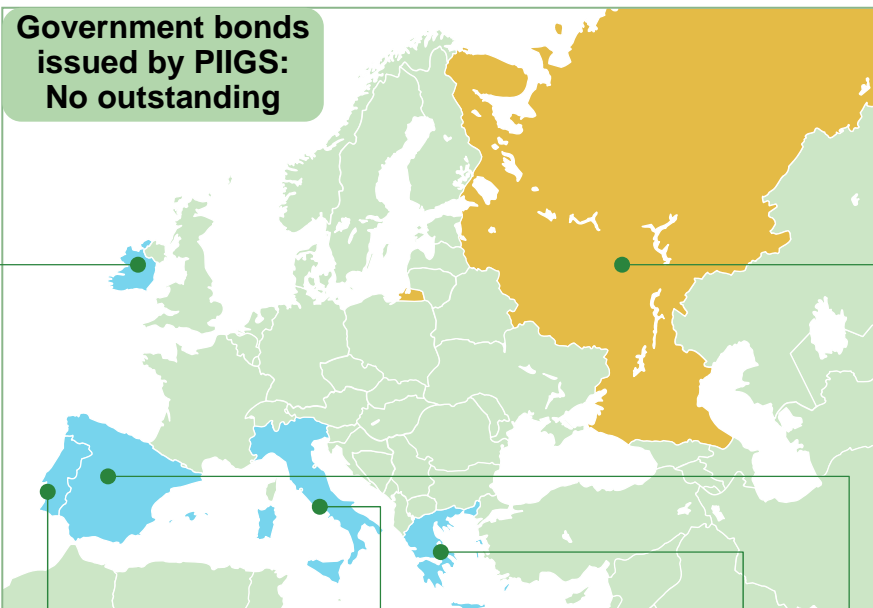
\*1 Based on Basel II standard (Credit risk: FIRB for Mar. 08, AIRB from Mar. 09, Operational risk: AMA)

\*2 While "Core Tier I" is not defined in international agreements, we estimated "Core Tier I capital = Tier I capital – Preferred shares – Preferred securities"



# (Reference 5) Exposure to PIIGS, Middle East and Russia\*

*Our exposure to Portugal, Italy, Ireland, Greece and Spain is approx. USD 4 billion in total, and associated risks is limited. We hold no government bonds issued by these countries*



Portugal
approx. USD 0.09 bn
Majority is to banks

Italy
approx. USD 1.54 bn
To large corporations and project finance

Spain
approx. USD 1.51 bn
To large corporations and Japanese companies, project finance

Russia
approx. USD 3.41 bn
To government-affiliated entities and local large corporations

UAE
approx. USD 3.35 bn (of which to Dubai: approx. USD 1.0 bn)
Majority is to Dubai government-affiliated entities, local banks and Japanese companies

Ireland
approx. USD 0.68 bn
To large corporations and project finance

Greece
approx. USD 0.18 bn
Majority is collateralized