

## Sumitomo Mitsui Financial Group (Consolidated)

This section summarizes SMFG's principal financial indicators for the fiscal years ended March 31, 2008 and 2007, on a consolidated basis.

### 1. Operating Results

Operating results for fiscal 2007 include the results of 268 consolidated subsidiaries (158 in Japan and 110 overseas) and 74 subsidiaries and affiliates accounted for by the equity method (48 in Japan and 26 overseas).

Gross profit increased ¥210.0 billion year on year, to ¥2,116.2 billion. The principal reason for this increase was an improvement in net trading income. Although in the previous year SMBC reported losses on the sale of bonds from its portfolio, as it

contracted its holdings to reduce risk, during the fiscal year under review, SMBC managed its portfolio to take advantage of movements in interest rates in Japan and overseas and reported a major increase in net trading income. After taking account of general and administrative expenses, credit cost, net gains on stocks, equity in earnings (losses) of affiliates, and other items, ordinary profit increased ¥32.5 billion, to ¥831.1 billion. Net income—which is ordinary profit after taking account of extra-

### ◆Number of Consolidated Subsidiaries and Subsidiaries and Affiliates Accounted for by the Equity Method

March 31	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries .....	268	181	87
Subsidiaries and affiliates accounted for by the equity method .....	74	62	12

### ◆Income Summary

Year ended March 31	Millions of yen		Increase (decrease) (A) – (B)
	2008 (A)	2007 (B)	
Consolidated gross profit .....	¥2,116,248	¥1,906,173	¥ 210,075
Net interest income .....	1,210,383	1,168,592	41,791
Trust fees .....	3,752	3,508	244
Net fees and commissions .....	611,993	609,185	2,808
Net trading income .....	469,571	125,625	343,946
Net other operating income (expenses) .....	(179,453)	(738)	(178,715)
General and administrative expenses .....	(978,896)	(888,561)	(90,335)
Credit cost (A) .....	(249,922)	(146,186)	(103,736)
Write-off of loans .....	(141,750)	(81,415)	(60,335)
Provision for specific reserve for possible loan losses .....	(172,570)	(77,446)	(95,124)
Provision for general reserve for possible loan losses .....	99,350	53,370	45,980
Others .....	(34,952)	(40,695)	5,743
Net gains (losses) on stocks .....	(7,063)	44,730	(51,793)
Equity in earnings (losses) of affiliates .....	(41,760)	(104,170)	62,410
Net other income (expenses) .....	(7,444)	(13,374)	5,930
Ordinary profit .....	831,160	798,610	32,550
Extraordinary gains (losses) .....	97,795	8,180	89,615
Losses on impairment of fixed assets .....	(5,161)	(30,548)	25,387
Gains on collection of written-off claims (B) .....	1,355	1,236	119
Gains on return of securities from retirement benefits trust .....	—	36,330	(36,330)
Gain due to change in equity ownership of affiliates .....	103,133	—	103,133
Income before income taxes and minority interests .....	928,955	806,790	122,165
Income taxes:			
Current .....	(103,900)	(87,818)	(16,082)
Deferred .....	(282,538)	(218,770)	(63,768)
Minority interests in net income .....	(80,980)	(58,850)	(22,130)
Net income .....	¥ 461,536	¥ 441,351	¥ 20,185
Total credit cost (A) + (B) .....	¥ (248,566)	¥ (144,950)	¥(103,616)
[Reference]			
Consolidated banking profit (Billions of yen) .....	¥ 1,022.9	¥ 924.2	¥ 98.7

Notes: 1. Consolidated gross profit = (Interest income – Interest expenses) + Trust fees + (Fees and commissions (income) – Fees and commissions (expenses)) + (Trading profits – Trading losses) + (Other operating income – Other operating expenses)  
 2. Consolidated banking profit = SMBC's nonconsolidated banking profit (before provision for general reserve for possible loan losses) + SMFG's ordinary profit + Ordinary profit of other subsidiaries (excluding nonrecurring factors) + (Ordinary profit of equity-method affiliates x Ownership ratio) – Internal transactions (dividends, etc.)

ordinary gains (losses), income taxes, and other items—rose ¥20.1 billion, to ¥461.5 billion.

In addition, deposits at the end of the fiscal year under review rose ¥534.4 billion in comparison with March 31, 2007, to ¥72,690.6 billion, and negotiable certificates of deposit increased ¥488.9 billion, to ¥3,078.1 billion.

Meanwhile, loans and bills discounted rose ¥3,455.5 billion year on year, to ¥62,144.8 billion, and the balance of securities increased ¥2,980.0 billion, to ¥23,517.5 billion.

Net assets amounted to ¥5,224.0 billion, and, of this total, stockholders' equity was ¥3,095.3 billion.

## ◆Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Assets .....	¥111,955,918	¥100,858,309	¥11,097,609
Securities .....	23,517,501	20,537,500	2,980,001
Loans and bills discounted .....	62,144,874	58,689,322	3,455,552
Liabilities .....	106,731,842	95,527,029	11,204,813
Deposits.....	72,690,624	72,156,224	534,400
Negotiable certificates of deposit .....	3,078,149	2,589,217	488,932
Net assets .....	5,224,076	5,331,279	(107,203)

## 2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2008, amounted to ¥762.1 billion, a decline of ¥1,050.2 billion from the end of the previous fiscal year, reflecting a decrease in the value of equities and other factors. Of this total, net unrealized gains on

other securities, including “other money held in trust”—which are directly credited to net assets—declined ¥1,080.0 billion, to ¥745.3 billion.

## ◆Unrealized Gains (Losses) on Securities

March 31	Millions of yen						
	2008				2007		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities .....	¥ 16,755	¥ 29,820	¥ 18,379	¥ 1,623	¥ (13,065)	¥ 200	¥ 13,266
Other securities .....	745,420	(1,079,748)	1,042,530	297,109	1,825,168	2,032,120	206,952
Stocks .....	936,228	(1,036,419)	999,414	63,186	1,972,647	1,987,337	14,689
Bonds .....	(132,892)	24,475	18,645	151,537	(157,367)	1,805	159,173
Others .....	(57,915)	(67,803)	24,469	82,385	9,888	42,977	33,089
Other money held in trust .....	(29)	(351)	—	29	322	322	—
Total .....	762,146	(1,050,278)	1,060,909	298,763	1,812,424	2,032,643	220,218
Stocks .....	936,228	(1,036,419)	999,414	63,186	1,972,647	1,987,337	14,689
Bonds .....	(115,944)	54,669	37,025	152,969	(170,613)	1,825	172,439
Others .....	(58,137)	(68,528)	24,469	82,607	10,391	43,480	33,089

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit bought in “Deposits with banks” and beneficiary certificates on loan trusts in “Commercial paper and other debt purchased.”
2. Unrealized gains (losses) on stocks are mainly calculated using the average market price during the final month of the respective reporting period. The remainder of the securities are valued at the market price as of the balance sheet date.
3. “Other securities” and “Other money held in trust” are valued and recorded on the consolidated balance sheet at market prices. The figures in the table above indicate the differences between the acquisition costs (or amortized costs) and the balance sheet amounts.

### 3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2008, was 10.56%, which was 0.75 percentage point lower than at March 31, 2007.

Total capital, which is the numerator in the capital ratio calculation equation, amounted to ¥6,665.5 billion at fiscal year-end, which was ¥187.1 billion lower than at the end of the previous fiscal year. Although retained earnings increased for the fiscal year as a result of the reporting of net income, net unrealized gains on

other securities, which is an item directly credited to net assets, declined because of the drop in stock market prices, thus contributing to the overall decline in total capital.

Risk-adjusted assets, the denominator in the equation, amounted to ¥63,117.3 billion, which was ¥2,577.0 billion higher than at the end of the previous fiscal year, owing to an increase in lending overseas and the merger of leasing companies.

#### ◆ Consolidated Capital Ratio

March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Tier I capital .....	¥ 4,381,464	¥ 3,903,257	¥ 478,207
Tier II capital included as qualifying capital .....	3,021,872	3,640,226	(618,354)
Deductions .....	(737,792)	(690,759)	(47,033)
Total capital .....	6,665,543	6,852,723	(187,180)
Risk-adjusted assets .....	63,117,349	60,540,346	2,577,003
Consolidated capital ratio .....	10.56%	11.31%	(0.75%)

### 4. Dividend Policy

In view of the public nature of its business, SMFG has set a fundamental policy of increasing dividends stably and continuously through sustainable growth in corporate value, while enhancing the Group's capital to maintain a sound financial position. By the fiscal year ending March 31, 2010, the final year of its "LEAD THE VALUE" medium-term management plan, SMFG is aiming for a dividend payout ratio of over 20% on a consolidated net income basis.

Based on this policy, SMFG decided to pay a term-end divi-

dend of ¥12,000 per share of common stock for the fiscal year ended March 31, 2008, a year-on-year increase of ¥5,000. Annual dividends on preferred stocks were paid in the predetermined amounts for each category of preferred stock.

SMFG will employ its retained earnings to implement strategic initiatives that will increase its corporate value. These initiatives will be centered, first, on strengthening its position in targeted growth business areas, and, second, on fortifying the Group's business platform for supporting sustainable growth.

### 5. Deferred Tax Assets

SMFG has adopted a conservative stance regarding the recognition of deferred tax assets in consideration of the need to secure a sound financial position. During the fiscal year under review, net deferred tax assets, which are deferred tax assets minus deferred tax liabilities, increased ¥97.2 billion from the end of the previous

fiscal year and amounted to ¥933.4 billion. The principal cause of this increase in net deferred tax assets was a decline in net unrealized gains on other securities because of the drop in stock market prices, which reduced deferred tax liabilities.

#### ◆ Deferred Tax Assets

March 31	Millions of yen		
	2008 (A)	2007 (B)	Increase (decrease) (A) – (B)
Net deferred tax assets .....	¥933,481	¥836,270	¥ 97,211
Net deferred tax assets / Tier I capital × 100 .....	21.3%	21.4%	(0.1%)