



Financial Review

Sumitomo Mitsui Financial Group (Consolidated)

Sumitomo Mitsui Financial Group, Inc. and Subsidiaries

The following is a summary of SMFG's consolidated financial results for the fiscal year ended March 31, 2011.

1. Operating Results

Operating results for fiscal 2010 include the results of 327 consolidated subsidiaries and 47 subsidiaries and affiliates accounted for by the equity method.

In fiscal 2010, net interest income decreased due mainly to deterioration in interest margins on deposits and loans resulting from lower interest rates in Japan. However, SMBC increased gains on bonds by quickly responding to fluctuations in market interest rates, and SMFG's net fees and commissions increased mainly because of an increase in the number of consolidated subsidiaries. As a result, gross profit increased by ¥268.0 billion year on year to ¥2,504.7

billion. After adjusting for general and administrative expenses, credit cost, net losses on stocks, equity in losses of affiliates and other items, ordinary profit increased by ¥266.6 billion year on year to ¥825.4 billion, due mainly to a decrease in SMBC's credit cost as a result of the tailored efforts to assist certain debtors to improve their businesses and financial conditions.

After adjusting ordinary profit for extraordinary gains and losses, income taxes, and other items, net income increased by ¥204.3 billion year on year to ¥475.8 billion.

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

March 31	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	327	307	20
Subsidiaries and affiliates accounted for by the equity method	47	58	(11)

Income Summary

Year ended March 31	Millions of yen		Increase (decrease) (A) – (B)
	2011 (A)	2010 (B)	
Consolidated gross profit	¥2,504,730	¥2,236,634	¥268,096
Net interest income	1,317,651	1,380,912	(63,261)
Trust fees	2,335	1,778	557
Net fees and commissions	766,230	608,616	157,614
Net trading income	237,093	194,087	43,006
Net other operating income.....	181,419	51,238	130,181
General and administrative expenses	(1,355,322)	(1,161,302)	(194,020)
Credit cost (A).....	(220,162)	(473,937)	253,775
Write-off of loans	(156,571)	(176,672)	20,101
Provision for specific reserve for possible loan losses.....	(63,574)	(184,257)	120,683
Provision for general reserve for possible loan losses	14,919	(17,944)	32,863
Others	(14,935)	(95,063)	80,128
Net losses on stocks	(91,949)	(10,078)	(81,871)
Equity in losses of affiliates	(13,319)	(21,542)	8,223
Net other income (expenses).....	1,452	(11,003)	12,455
Ordinary profit	825,428	558,769	266,659
Extraordinary gains (losses).....	1,884	(671)	2,555
Losses on impairment of fixed assets.....	(5,411)	(12,856)	7,445
Gains on recoveries of written-off claims (B).....	2,813	968	1,845
Income before income taxes and minority interests	827,313	558,097	269,216
Income taxes:			
Current	(97,446)	(104,110)	6,664
Deferred.....	(143,325)	(74,759)	(68,566)
Income before minority interests.....	586,542	379,227	207,315
Minority interests in net income	(110,646)	(107,668)	(2,978)
Net income	¥ 475,895	¥ 271,559	¥204,336
Net total credit cost (A) + (B)	¥ (217,348)	¥ (472,968)	¥255,620
[Reference]			
Consolidated net business profit (Billions of yen)	¥ 1,002.0	¥ 832.3	¥ 169.7

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

Deposits (excluding negotiable certificates of deposit) at the end of the fiscal year under review rose by ¥3,350.3 billion in comparison with March 31, 2010 to ¥81,998.9 billion, and negotiable certificates of deposit increased by ¥1,370.7 billion to ¥8,366.3 billion.

Meanwhile, loans and bills discounted decreased by

¥1,352.6 billion year on year to ¥61,348.3 billion, and the balance of securities increased by ¥11,328.1 billion to ¥39,952.1 billion.

Net assets amounted to ¥7,132.0 billion, and, of this total, stockholders' equity was ¥4,921.4 billion, due mainly to recording of net income.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Assets.....	¥137,803,098	¥123,159,513	¥14,643,585
Securities.....	39,952,123	28,623,968	11,328,155
Loans and bills discounted.....	61,348,355	62,701,033	(1,352,678)
Liabilities.....	130,671,024	116,158,708	14,512,316
Deposits.....	81,998,940	78,648,595	3,350,345
Negotiable certificates of deposit.....	8,366,323	6,995,619	1,370,704
Net assets	7,132,073	7,000,805	131,268

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2011 amounted to ¥430.7 billion, a decrease of ¥214.2 billion from the previous fiscal year-end, 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 debited to net assets, amounted to ¥370.9 billion, a decrease of ¥215.5 billion from the previous fiscal year-end.

Unrealized Gains (Losses) on Securities

March 31	2011				2010		
	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 59,857	¥ 1,247	¥ 61,389	¥ 1,531	¥ 58,610	¥ 59,344	¥ 734
Other securities	370,899	(215,515)	720,864	349,965	586,414	799,355	212,941
Stocks.....	311,956	(99,028)	487,773	175,817	410,984	543,745	132,761
Bonds	76,770	(46,888)	108,640	31,870	123,658	131,821	8,163
Others.....	(17,827)	(69,598)	124,449	142,277	51,771	123,788	72,017
Other money held in trust.....	42	(20)	42	—	62	157	95
Total	430,799	(214,288)	782,295	351,496	645,087	858,858	213,770
Stocks.....	311,956	(99,028)	487,773	175,817	410,984	543,745	132,761
Bonds	136,639	(45,730)	170,021	33,382	182,369	191,162	8,793
Others.....	(17,796)	(69,529)	124,500	142,297	51,733	123,950	72,216

- Notes: 1. The figures above include unrealized gains (losses) on negotiable certificates of deposit in "Cash and due from banks" and "Deposits with banks" and beneficiary claims on loan trusts in "Monetary claims bought," etc.
2. Unrealized gains (losses) on stocks (including foreign stocks) are mainly calculated using the average market price during the final month of the respective reporting period. The rest 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.
- Net unrealized gains (losses) on other securities, as of March 31, 2011 and 2010, included gains of ¥1,153 million and ¥105 million, respectively, which were recognized in the statements of income by applying fair value hedge accounting. As a result, the amounts recorded in net assets, as of March 31, 2011 and 2010, were reduced by ¥1,153 million and ¥105 million, respectively.
4. Floating-rate Japanese government bonds which SMFG held as "Other securities" are carried on the consolidated balance sheet at their reasonably estimated amounts in accordance with the "Practical Solution on Measurement of Fair Value for Financial Assets" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 25).

3. Consolidated Capital Ratio

SMFG's consolidated capital ratio as of March 31, 2011 was 16.63%, 1.61 percentage points higher than at March 31, 2010.

Total capital, which is the numerator in the capital ratio calculation equation, rose by ¥304.6 billion year on year

to ¥8,432.8 billion. This was due mainly to recording of net income. Risk-adjusted assets, the denominator in the equation, decreased by ¥3,390.7 billion year on year to ¥50,693.6 billion due in part to a reduction in corporate exposures.

Consolidated Capital Ratio

March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Tier I capital	¥ 6,323,995	¥ 6,032,280	¥ 291,715
Tier II capital included as qualifying capital.....	2,536,958	2,563,853	(26,895)
Deductions	(428,082)	(467,906)	39,824
Total capital	8,432,871	8,128,228	304,643
Risk-adjusted assets	50,693,696	54,084,471	(3,390,775)
Consolidated capital ratio	16.63%	15.02%	1.61%
Tier I capital ratio.....	12.47%	11.15%	1.32%

4. Dividend Policy

In view of the public nature of its business, SMFG has set a fundamental policy of increasing profit distribution stably and continuously through sustainable growth in enterprise value, while enhancing the Group's capital to maintain a sound financial position. SMFG aims for a dividend payout ratio of over 20% on a consolidated net income basis, and its fundamental policy is to distribute dividends from retained earnings twice a year in the form of an interim dividend and a yearend dividend. An interim dividend can be declared by the Board of Directors, with September 30 of each year as the recorded

date, but the approval of shareholders at the annual general meeting is required to pay a yearend dividend.

After taking into account the fiscal 2010 business performance, SMFG has decided to pay a term-end dividend of ¥100 per share of common stock for the fiscal year.

SMFG will employ its retained earnings to increase its enterprise value by aiming for top quality in strategic business areas, and establishing a solid financial base and corporate infrastructure enough to address the new financial regulations and competitive environment.

5. Deferred Tax Assets

Net deferred tax assets decreased by ¥77.8 billion from the end of the previous fiscal year to ¥624.2 billion.

SMFG takes a conservative approach to recognizing deferred tax assets in order to secure a sound financial position.

Deferred Tax Assets

March 31	Millions of yen		
	2011 (A)	2010 (B)	Increase (decrease) (A) – (B)
Net deferred tax assets	¥624,219	¥702,065	¥(77,846)
Net deferred tax assets / Tier I capital × 100	9.9%	11.6%	(1.7)%