



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 first half of fiscal 2010, the six-month period ended September 30, 2010.

1. Operating Results

Operating results for the first half of fiscal 2010 include the results of 320 consolidated subsidiaries and 48 subsidiaries and affiliates accounted for by the equity method.

In the first half of fiscal 2010, consolidated gross profit increased by ¥250.7 billion year-on-year to ¥1,316.7 billion. The principal reasons for an increase were 1) an increase in gains on bonds by quickly responding to fluctuations in the market interest rates at SMBC, and 2) the earnings contribution from Nikko Cordial Securities Inc., which became a

consolidated subsidiary in October 2009. After adjusting for general and administrative expenses, credit cost, net losses on stocks and equity in earnings of affiliates, ordinary profit increased by ¥318.3 billion year-on-year to ¥540.6 billion, mainly due to a decrease in credit cost. After adjusting ordinary profit for extraordinary gains and losses, income taxes, and other items, net income increased by ¥293.9 billion year-on-year to ¥417.4 billion.

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

September 30, 2010 and 2009, and March 31, 2010

	September 30		March 31
	2010	2009	2010
Consolidated subsidiaries.....	320	293	307
Subsidiaries and affiliates accounted for by the equity method.....	48	80	58

Income Summary

Six months ended September 30, 2010 and 2009, and year ended March 31, 2010

	Millions of yen		
	Six months ended September 30		Year ended March 31
	2010	2009	2010
Consolidated gross profit.....	¥1,316,760	¥1,066,026	¥2,236,634
Net interest income.....	660,539	683,164	1,380,912
Trust fees.....	1,052	540	1,778
Net fees and commissions.....	358,518	259,528	608,616
Net trading income.....	188,653	140,586	194,087
Net other operating income (expenses).....	107,995	(17,794)	51,238
General and administrative expenses.....	(655,630)	(533,021)	(1,161,302)
Credit cost (A).....	(107,094)	(268,985)	(473,937)
Write-off of loans.....	(60,552)	(118,308)	(176,672)
Provision for specific reserve for possible loan losses.....	(39,819)	(142,974)	(184,257)
Provision for general reserve for possible loan losses.....	(2,545)	30,253	(17,944)
Others.....	(4,175)	(37,955)	(95,063)
Net losses on stocks.....	(22,582)	(8,928)	(10,078)
Equity in earnings (losses) of affiliates.....	1,627	(20,042)	(21,542)
Net other income (expenses).....	7,528	(12,822)	(11,003)
Ordinary profit.....	540,609	222,225	558,769
Extraordinary gains (losses).....	7,578	7,851	(671)
Losses on impairment of fixed assets.....	(1,414)	(1,763)	(12,856)
Gains on recoveries of written-off claims (B).....	1,307	526	968
Income before income taxes and minority interests.....	548,187	230,076	558,097
Income taxes:			
Current.....	(46,527)	(64,943)	(104,110)
Deferred.....	(27,318)	14,720	(74,759)
Minority interests in net income.....	(56,848)	(56,313)	(107,668)
Net income.....	¥ 417,493	¥ 123,540	¥ 271,559
Total credit cost (A) + (B).....	¥ (105,787)	¥ (268,458)	¥ (472,968)
[Reference]			
Consolidated net business profit (Billions of yen).....	¥ 600.6	¥ 400.4	¥ 832.3

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) as of September 30, 2010, decreased by ¥551.6 billion from March 31, 2010 to ¥78,096.9 billion. Negotiable certificates of deposit increased by ¥1,982.0 billion from March 31, 2010 to ¥8,977.7 billion.

Meanwhile, loans and bills discounted increased by

¥831.6 billion from March 31, 2010 to ¥63,532.6 billion, and securities increased by ¥4,811.7 billion from March 31, 2010 to ¥33,435.7 billion.

Net assets amounted to ¥7,198.6 billion. Of this total, stockholders' equity was ¥4,982.1 billion due mainly to posting of a net income for the interim period.

Assets, Liabilities and Net Assets

September 30, 2010 and 2009, and March 31, 2010

	Millions of yen		
	September 30		March 31
	2010	2009	2010
Assets.....	¥131,409,208	¥117,531,379	¥123,159,513
Securities.....	33,435,725	28,355,428	28,623,968
Loans and bills discounted.....	63,532,671	64,556,160	62,701,033
Liabilities.....	124,210,597	111,428,411	116,158,708
Deposits.....	78,096,908	75,967,958	78,648,595
Negotiable certificates of deposit.....	8,977,715	8,330,122	6,995,619
Net assets.....	7,198,610	6,102,967	7,000,805

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of September 30, 2010 amounted to ¥464.9 billion, a decrease of ¥180.1 billion from March 31, 2010, 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, amounted to ¥376.3 billion, a decrease of ¥210.1 billion from March 31, 2010.

Unrealized Gains (Losses) on Securities

September 30, 2010 and March 31, 2010

	September 30, 2010				March 31, 2010		
	Net unrealized gains (losses) (A)		Unrealized gains	Unrealized losses	Net unrealized gains (losses) (B)		Unrealized losses
	(A) – (B)						
Held-to-maturity securities.....	¥ 88,644	¥ 30,034	¥ 88,685	¥ 40	¥ 58,610	¥ 59,344	¥ 734
Other securities	376,412	(210,002)	654,379	277,966	586,414	799,355	212,941
Stocks.....	172,123	(238,861)	397,916	225,792	410,984	543,745	132,761
Bonds.....	134,477	10,819	138,243	3,765	123,658	131,821	8,163
Others.....	69,811	18,040	118,219	48,408	51,771	123,788	72,017
Other money held in trust	(83)	(145)	—	83	62	157	95
Total	464,973	(180,114)	743,064	278,091	645,087	858,858	213,770
Stocks.....	172,123	(238,861)	397,916	225,792	410,984	543,745	132,761
Bonds.....	223,153	40,784	226,919	3,765	182,369	191,162	8,793
Others.....	69,696	17,963	118,228	48,532	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 September 30, 2010 and March 31, 2010, included losses of ¥968 million and gains of ¥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 September 30, 2010 and March 31, 2010, were included by ¥968 million and reduced by ¥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 September 30, 2010 increased by 1.00 percentage point from 15.02% at March 31, 2010 to 16.02%.

Total capital, the numerator in the capital ratio calculation equation, increased by ¥143.6 billion from March 31, 2010

to ¥8,271.8 billion, partly on an increase in retained earnings following the posting of net income. Risk-adjusted assets, the denominator in the equation, decreased by ¥2,471.6 billion from March 31, 2010 to ¥51,612.8 billion, due in part to a reduction in corporate exposures.

Consolidated Capital Ratio

September 30, 2010 and 2009, and March 31, 2010

	Millions of yen		
	September 30		March 31
	2010	2009	2010
Tier I capital	¥ 6,362,168	¥ 5,295,152	¥ 6,032,280
Tier II capital included as qualifying capital	2,360,823	2,765,486	2,563,853
Deductions.....	(451,126)	(779,160)	(467,906)
Total capital.....	8,271,865	7,281,479	8,128,228
Risk-adjusted assets	51,612,844	55,423,266	54,084,471
Consolidated capital ratio	16.02%	13.13%	15.02%
Tier I capital ratio	12.32%	9.55%	11.15%

4. Deferred Tax Assets

Net deferred tax assets, which are deferred tax assets minus deferred tax liabilities, decreased by ¥10.5 billion from March 31, 2010 to ¥691.5 billion.

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

Deferred Tax Assets

September 30, 2010 and 2009, and March 31, 2010

	Millions of yen		
	September 30		March 31
	2010	2009	2010
Net deferred tax assets	¥691,508	¥671,977	¥702,065
Net deferred tax assets / Tier I capital × 100	10.9%	12.7%	11.6%