



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, 2012.

1. Operating Results

Operating results for fiscal year 2011 include the results of 337 consolidated subsidiaries and 43 subsidiaries and affiliates accounted for by the equity method.

In fiscal 2011, gross profit increased by ¥89.7 billion year-on-year to ¥2,594.4 billion due to an increase in net fees and commissions and the contribution of newly consolidated subsidiaries. The increase in net fees and commissions is attributable mainly to an increase in fees related to overseas loans and domestic loan syndication achieved

by SMBC. Ordinary profit after adjustment for general and administrative expenses, credit cost, net losses on stocks, equity in losses of affiliates and other items increased by ¥110.1 billion year-on-year to ¥935.5 billion thanks to factors such as a decrease in credit cost, mainly due to the tailored efforts of SMBC to assist certain borrowers to improve their business and financial conditions. Net income after adjustment for extraordinary gains (losses) and income taxes increased by ¥42.6 billion to ¥518.5 billion.

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

March 31	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	337	327	10
Subsidiaries and affiliates accounted for by the equity method	43	47	(4)

Income Summary

	Millions of yen		
Year ended March 31	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit	¥2,594,482	¥2,504,730	¥ 89,752
Net interest income	1,341,369	1,317,651	23,718
Trust fees	1,770	2,335	(565)
Net fees and commissions	823,580	766,230	57,350
Net trading income	198,192	237,093	(38,901)
Net other operating income	229,568	181,419	48,149
General and administrative expenses	(1,421,363)	(1,355,322)	(66,041)
Credit cost (A)	(126,055)	(220,162)	94,107
Write-off of loans	(90,305)	(156,571)	66,266
Provision for specific reserve for possible loan losses	(111,227)	(63,574)	(47,653)
Provision for general reserve for possible loan losses	106,512	14,919	91,593
Others	(31,035)	(14,935)	(16,100)
Recoveries of written-off claims (B)	4,800	—	4,800
Net losses on stocks	(27,880)	(91,949)	64,069
Equity in losses of affiliates	(31,122)	(13,319)	(17,803)
Net other income (expenses)	(57,289)	1,452	(58,741)
Ordinary profit	935,571	825,428	110,143
Extraordinary gains (losses)	17,395	1,884	15,511
Gains on step acquisitions	25,050	12,655	12,395
Losses on impairment of fixed assets	(3,861)	(5,411)	1,550
Recoveries of written-off claims (C)	—	2,813	(2,813)
Income before income taxes and minority interests	952,966	827,313	125,653
Income taxes:			
Current	(103,478)	(97,446)	(6,032)
Deferred	(207,860)	(143,325)	(64,535)
Income before minority interests	641,627	586,542	55,085
Minority interests in net income	(123,090)	(110,646)	(12,444)
Net income	¥ 518,536	¥ 475,895	¥ 42,641
Net total credit cost (A) + (B) + (C)	¥ (121,255)	¥ (217,348)	¥ 96,093
[Reference]			
Consolidated net business profit (Billions of yen)	¥ 1,013.9	¥ 1,002.0	¥ 11.9

- 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. "Recoveries of written-off claims" which were included in "Extraordinary gains (losses)" are included in "Ordinary profit" since the fiscal year beginning on or after April 1, 2011.
3. 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 March 31, 2012 increased by ¥2,129.6 billion year-on-year to ¥84,128.5 billion, and the negotiable certificates of deposit increased by ¥227.3 billion to ¥8,593.6 billion.

Meanwhile, loans and bills discounted as of March 31, 2012 increased by ¥1,372.2 billion year-on-year to ¥62,720.5 billion, and securities increased by ¥2,577.8 billion

to ¥42,529.9 billion.

Net assets were ¥7,254.9 billion. Of this amount, stockholders' equity was ¥5,014.3 billion mainly due to the recording of net income, the acquisition and cancellation of Preferred stock (1st series Type 6), and the payment of cash dividends.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Assets.....	¥143,040,672	¥137,803,098	¥5,237,573
Securities.....	42,529,950	39,952,123	2,577,826
Loans and bills discounted.....	62,720,599	61,348,355	1,372,243
Liabilities.....	135,785,696	130,671,024	5,114,671
Deposits.....	84,128,561	81,998,940	2,129,621
Negotiable certificates of deposit.....	8,593,638	8,366,323	227,315
Net assets	7,254,976	7,132,073	122,902

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2012 increased by ¥113.3 billion year-on-year to ¥544.1 billion, primarily because of an increase in the unrealized gains of foreign currency bonds. Of this amount, net unrealized gains

on other securities, which are directly debited to net assets, were ¥474.9 billion, a year-on-year increase of ¥104.0 billion.

Unrealized Gains (Losses) on Securities

March 31	2012					2011			
	Consolidated balance sheet amount	Net unrealized gains (losses) (A)	(A) – (B)	Unrealized gains	Unrealized losses	Consolidated balance sheet amount	Net unrealized gains (losses) (B)	Unrealized gains	Unrealized losses
Held-to-maturity securities.....	¥ 5,286,267	¥ 69,184	¥ 9,327	¥ 69,288	¥ 103	¥ 4,189,272	¥ 59,857	¥ 61,389	¥ 1,531
Other securities	37,558,730	474,984	104,085	746,928	271,943	35,972,442	370,899	720,864	349,965
Stocks.....	2,406,170	271,461	(40,495)	490,074	218,613	2,486,258	311,956	487,773	175,817
Bonds	27,684,484	111,815	35,045	118,164	6,348	25,560,012	76,770	108,640	31,870
Others.....	7,468,076	91,708	109,535	138,689	46,981	7,926,170	(17,827)	124,449	142,277
Other money held in trust.....	22,430	(46)	(88)	—	46	22,569	42	42	—
Total	42,867,429	544,122	113,323	816,216	272,093	40,184,285	430,799	782,295	351,496
Stocks.....	2,406,170	271,461	(40,495)	490,074	218,613	2,486,258	311,956	487,773	175,817
Bonds	32,957,653	180,998	44,359	187,444	6,445	29,734,790	136,639	170,021	33,382
Others.....	7,503,605	91,662	109,458	138,697	47,034	7,963,235	(17,796)	124,500	142,297

- 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, 2012 and 2011, included gains of ¥196 million and ¥1,153 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, 2012 and 2011, were reduced by ¥196 million and ¥1,153 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

Consolidated capital ratio as of March 31, 2012 increased by 0.30 percentage point year-on-year to 16.93%.

Total capital, the numerator in the consolidated capital ratio calculation, increased by ¥210.8 billion year-on-year to ¥8,643.7 billion due to the recording of net income and

the acquisition and cancellation of Preferred stock (1st series Type 6). Risk-weighted assets, the denominator in the calculation, increased by ¥349.5 billion year-on-year to ¥51,043.2 billion, mainly due to the consolidation of Promise Co., Ltd.

Consolidated Capital Ratio

March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Tier I capital	¥ 6,272,260	¥ 6,323,995	(51,734)
Tier II capital included as qualifying capital.....	2,771,125	2,536,958	234,167
Deductions	(399,634)	(428,082)	28,448
Total capital	8,643,751	8,432,871	210,880
Risk-adjusted assets	51,043,232	50,693,696	349,536
Consolidated capital ratio	16.93%	16.63%	0.30%
Tier I capital ratio	12.28%	12.47%	(0.19)%

4. Dividend Policy

The basic shareholder return policy of SMFG is to sustain a consolidated payout ratio of over 20% through the stable and consistent distribution of profit, while enhancing retained earnings to maintain financial soundness in light of the public nature of its business as a bank holding company, by ensuring the sustainable growth of enterprise value. Dividends from retained earnings are basically distributed 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 2011 business performance, SMFG has decided to pay an annual dividend of ¥100 per share of common stock for the fiscal year, unchanged from the previous 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 to meet the challenges of financial regulations and highly competitive environment.

5. Deferred Tax Assets

Net deferred tax assets as of March 31, 2012 decreased by ¥274.0 billion year-on-year to ¥350.1 billion. SMFG takes a

conservative approach to recognizing deferred tax assets in order to maintain its sound financial position.

Deferred Tax Assets

March 31	Millions of yen		
	2012 (A)	2011 (B)	Increase (decrease) (A) – (B)
Net deferred tax assets	¥350,182	¥624,219	(274,036)
Net deferred tax assets / Tier I capital × 100	5.6%	9.9%	(4.3)%