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, 2013.

1. Operating Results

Operating results for fiscal 2012 include the results of 323 consolidated subsidiaries and 44 subsidiaries and affiliates accounted for by the equity method.

In fiscal 2012, gross profit increased by ¥198.4 billion year-on-year to ¥2,792.8 billion as a result of the following factors, among others: SMBC Consumer Finance Co., Ltd. became a consolidated subsidiary in December 2011 and contributed to earnings; and SMBC achieved growth in net interest income, mainly due to an increase in the balance of overseas loans and bills discounted, and in net fees and commissions, primarily due to an increase in fees related to loan syndication. 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 ¥138.1 billion year-on-year to ¥1,073.7 billion. Net income after adjustment for extraordinary gains (losses) and income taxes increased by ¥275.5 billion to ¥794.0 billion.

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

March 31	**2013** (A)	2012 (B)	Increase (decrease) (A) – (B)
Consolidated subsidiaries	**323**	337	(14)
Subsidiaries and affiliates accounted for by the equity method	**44**	43	1

Income Summary

	Millions of yen		
Year ended March 31	**2013** (A)	2012 (B)	Increase (decrease) (A) – (B)
Consolidated gross profit	**¥2,792,891**	¥2,594,482	¥198,409
Net interest income	**1,392,636**	1,341,369	51,267
Trust fees	**1,871**	1,770	101
Net fees and commissions	**908,168**	823,580	84,588
Net trading income	**166,617**	198,192	(31,575)
Net other operating income	**323,597**	229,568	94,029
General and administrative expenses	**(1,496,294)**	(1,421,363)	(74,931)
Credit cost (A)	**(183,552)**	(126,055)	(57,497)
Write-off of loans	**(133,639)**	(90,305)	(43,334)
Provision for specific reserve for possible loan losses	**(104,180)**	(111,227)	7,047
Provision for general reserve for possible loan losses	**67,530**	106,512	(38,982)
Others	**(13,262)**	(31,035)	17,773
Recoveries of written-off claims (B)	**10,436**	4,800	5,636
Net losses on stocks	**(20,973)**	(27,880)	6,907
Equity in gains (losses) of affiliates	**5,309**	(31,122)	36,431
Net other expenses	**(34,072)**	(57,289)	23,217
Ordinary profit	**1,073,745**	935,571	138,174
Extraordinary gains (losses)	**(9,711)**	17,395	(27,106)
Gains on step acquisitions	**140**	25,050	(24,910)
Gains (losses) on disposal of fixed assets	**(5,480)**	(3,765)	(1,715)
Losses on impairment of fixed assets	**(4,314)**	(3,861)	(453)
Income before income taxes and minority interests	**1,064,033**	952,966	111,067
Income taxes:			
Current	**(279,898)**	(103,478)	(176,420)
Deferred	**133,930**	(207,860)	341,790
Income before minority interests	**918,065**	641,627	276,438
Minority interests in net income	**(124,006)**	(123,090)	(916)
Net income	**¥ 794,059**	¥ 518,536	¥275,523
Net total credit cost (A) + (B)	**¥ (173,115)**	¥ (121,255)	¥ (51,860)
[Reference]			
Consolidated net business profit (Billions of yen)	**¥ 1,166.2**	¥ 1,013.9	¥ 152.3

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 March 31, 2013 increased by ¥4,953.2 billion year-on-year to ¥89,081.8 billion, and the negotiable certificates of deposit increased by ¥3,162.0 billion to ¥11,755.6 billion.

Meanwhile, loans and bills discounted as of March 31, 2013 totaled ¥65,632.0 billion, a year-on-year increase of ¥2,911.4 billion, mainly in Asia and the U. S., and securities totaled ¥41,306.7 billion, a decrease of ¥1,223.2 billion.

Net assets were ¥8,443.2 billion. Of this amount, stockholders' equity was ¥5,680.6 billion mainly due to the recording of net income, and the payment of cash dividends.

Assets, Liabilities and Net Assets

	Millions of yen		
March 31	**2013** (A)	2012 (B)	Increase (decrease) (A) – (B)
Assets	**¥148,696,800**	¥143,040,672	¥5,656,128
Securities	**41,306,731**	42,529,950	(1,223,219)
Loans and bills discounted	**65,632,091**	62,720,599	2,911,492
Liabilities	**140,253,582**	135,785,696	4,467,886
Deposits	**89,081,811**	84,128,561	4,953,250
Negotiable certificates of deposit	**11,755,654**	8,593,638	3,162,016
Net assets	**8,443,218**	7,254,976	1,188,242

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2013 increased by ¥638.6 billion year-on-year to ¥1,182.7 billion, primarily because of an increase in the unrealized gains of stocks. Of this amount, net unrealized gains on other securities (including other money held in trust), which are directly recorded to net assets, were ¥1,121.6 billion, a year-on-year increase of ¥646.6 billion.

Unrealized Gains (Losses) on Securities

	Millions of yen								
	2013					2012			
March 31	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	**¥ 5,852,111**	**¥ 61,150**	**¥ (8,034)**	**¥ 61,191**	**¥ 41**	¥ 5,286,267	¥ 69,184	¥ 69,288	¥ 103
Other securities	**35,776,786**	**1,121,598**	**646,614**	**1,256,572**	**134,973**	37,558,730	474,984	746,928	271,943
Stocks	**2,806,706**	**771,237**	**499,776**	**867,109**	**95,872**	2,406,170	271,461	490,074	218,613
Bonds	**24,525,328**	**108,320**	**(3,495)**	**112,202**	**3,881**	27,684,484	111,815	118,164	6,348
Others	**8,444,750**	**242,040**	**150,332**	**277,260**	**35,220**	7,468,076	91,708	138,689	46,981
Other money held in trust	**22,789**	**10**	**56**	**10**	**—**	22,430	(46)	—	46
Total	**41,651,687**	**1,182,759**	**638,637**	**1,317,774**	**135,015**	42,867,429	544,122	816,216	272,093
Stocks	**2,806,706**	**771,237**	**499,776**	**867,109**	**95,872**	2,406,170	271,461	490,074	218,613
Bonds	**30,365,341**	**169,467**	**(11,531)**	**173,390**	**3,922**	32,957,653	180,998	187,444	6,445
Others	**8,479,639**	**242,054**	**150,392**	**277,274**	**35,220**	7,503,605	91,662	138,697	47,034

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 valuated at the market price as of the balance sheet date.

3. "Other securities" and "Other money held in trust" are valuated 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 consolidated balance sheet amounts.

Net unrealized gains (losses) on other securities, as of March 31, 2013 and 2012, included gains of ¥29,831 million and ¥196 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, 2013 and 2012, were reduced by ¥29,831 million and ¥196 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

The total capital ratio as of March 31, 2013, stood at 14.71%, the Tier 1 capital ratio was 10.93%, and the common equity Tier 1 capital ratio was 9.38%.

Please note that from March 31, 2013, the consolidated capital ratio has been calculated according to the formula specified in the Financial Services Agency ("FSA") Notification No. 20 issued in fiscal 2006, which is based on Article 52-25 of the Banking Act of Japan, amended March 30, 2012.

This provision is used in deciding whether or not capital should be increased to reflect assets, etc. held by companies under bank holding companies and their subsidiaries.

Consolidated Capital Ratio (International Standard)

	Millions of yen
March 31	**2013**
Common equity Tier 1 capital	**5,855,852**
Common equity Tier 1 capital ratio	**9.38%**
Additional Tier 1 capital	**973,168**
Tier 1 capital	**6,829,021**
Tier 1 capital ratio	**10.93%**
Tier 2 capital	**2,356,989**
Total capital	**9,186,010**
Total capital ratio	**14.71%**
Risk weighted assets	**62,426,124**

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.

In light of current earnings trends and other factors, we have increased the dividend per share of common stock for the fiscal year under review by ¥10 year-on-year.

In addition, we have incorporated a commemorative element amounting to ¥10 per share into the year-end dividend, to mark the 10th anniversary of the foundation of the Group in December 2012.

As a result of the above, the annual dividend per share of common stock has risen by ¥20 year-on-year to ¥120.

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.