



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, 2014.

1. Operating Results

Operating results for fiscal 2013 include the results of 324 consolidated subsidiaries and 46 subsidiaries and affiliates accounted for by the equity method.

In fiscal 2013, consolidated gross profit increased by ¥105.3 billion year-on-year to ¥2,898.2 billion. This was largely due to an increase in profits at SMBC Nikko Securities driven by a surge in equity commissions, reflecting an improved market environment, and steady results of other major subsidiaries such as Sumitomo Mitsui Finance

and Leasing. Ordinary profit after adjustment for general and administrative expenses, total credit cost, net gains on stocks, equity in gains of affiliates and other items increased by ¥358.5 billion year-on-year to ¥1,432.3 billion. Net income after adjustment for extraordinary gains (losses) and income taxes increased by ¥41.2 billion to ¥835.3 billion.

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

March 31	2014 (A)	2013 (B)	Increase (decrease) (A) - (B)
Consolidated subsidiaries	324	323	1
Subsidiaries and affiliates accounted for by the equity method	46	44	2

Income Summary

	Millions of yen		
Year ended March 31	2014 (A)	2013 (B)	Increase (decrease) (A) - (B)
Consolidated gross profit	¥2,898,233	¥2,792,891	¥105,342
Net interest income	1,484,169	1,392,636	91,533
Trust fees	2,472	1,871	601
Net fees and commissions	984,589	908,168	76,421
Net trading income	211,881	166,617	45,264
Net other operating income	215,120	323,597	(108,477)
General and administrative expenses	(1,569,945)	(1,496,294)	(73,651)
Net total credit cost	49,073	(173,115)	222,188
Credit costs	(96,797)	(183,552)	86,755
Gains on reversal of reserve for possible loan losses	136,212	—	136,212
Recoveries of written-off claims	9,657	10,436	(779)
Gains (losses) on stocks	89,243	(20,973)	110,216
Equity in gains of affiliates	10,241	5,309	4,932
Net other expenses	(44,514)	(34,072)	(10,442)
Ordinary profit	1,432,332	1,073,745	358,587
Extraordinary gains (losses)	(9,637)	(9,711)	74
Losses on disposal of fixed assets	(8,595)	(5,480)	(3,115)
Losses on impairment of fixed assets	(3,348)	(4,314)	966
Income before income taxes and minority interests	1,422,694	1,064,033	358,661
Income taxes-current	(290,186)	(279,898)	(10,288)
Income taxes-deferred	(168,618)	133,930	(302,548)
Income before minority interests	963,889	918,065	45,824
Minority interests in net income	(128,532)	(124,006)	(4,526)
Net income	¥ 835,357	¥ 794,059	¥ 41,298
[Reference]			
Consolidated net business profit (Billions of yen)	¥ 1,242.4	¥ 1,166.2	¥ 76.2

- 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. Credit costs = Write-off of loans + Provision for reserve for possible loan losses + Others (Losses on sales of delinquent loans)
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 as of March 31, 2014 increased by ¥5,250.1 billion year-on-year to ¥94,331.9 billion, and negotiable certificates of deposit increased by ¥1,957.8 billion to ¥13,713.5 billion.

Loans and bills discounted as of March 31, 2014 totaled ¥68,227.6 billion, a year-on-year increase of ¥2,595.5 billion, as lending increased in Asia and the Americas, and securities

totaled ¥27,152.7 billion, a decrease of ¥14,153.9 billion.

Net assets were ¥9,005.0 billion. Of this amount, stockholders' equity was ¥6,401.2 billion mainly due to the recording of net income and the payment of cash dividends.

Assets, Liabilities and Net Assets

March 31	Millions of yen		
	2014 (A)	2013 (B)	Increase (decrease) (A) – (B)
Assets.....	¥161,534,387	¥148,696,800	¥12,837,587
Securities.....	27,152,781	41,306,731	(14,153,950)
Loans and bills discounted.....	68,227,688	65,632,091	2,595,597
Liabilities.....	152,529,368	140,253,582	12,275,786
Deposits.....	94,331,925	89,081,811	5,250,114
Negotiable certificates of deposit.....	13,713,539	11,755,654	1,957,885
Net assets.....	9,005,019	8,443,218	561,801
Stockholder's equity.....	6,401,215	5,680,627	720,588

2. Unrealized Gains (Losses) on Securities

Net unrealized gains on securities as of March 31, 2014 increased by ¥256.0 billion year-on-year to ¥1,438.7 billion, as a result of an increase in unrealized gains on stocks reflecting the improvement in the Japanese stock market.

Unrealized Gains (Losses) on Securities

March 31	Millions of yen								
	2014					2013			
	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.....	¥ 4,536,849	¥ 33,797	¥ (27,353)	¥ 33,950	¥ 153	¥ 5,852,111	¥ 61,150	¥ 61,191	¥ 41
Other securities.....	22,866,288	1,404,992	283,394	1,523,711	118,718	35,776,786	1,121,598	1,256,572	134,973
Stocks.....	3,185,495	1,131,143	359,906	1,186,150	55,006	2,806,706	771,237	867,109	95,872
Bonds.....	12,897,704	65,592	(42,728)	69,838	4,245	24,525,328	108,320	112,202	3,881
Others.....	6,783,089	208,255	(33,785)	267,722	59,466	8,444,750	242,040	277,260	35,220
Other money held in trust.....	23,120	–	(10)	–	–	22,789	10	10	–
Total.....	27,426,258	1,438,789	256,030	1,557,661	118,872	41,651,687	1,182,759	1,317,774	135,015
Stocks.....	3,185,495	1,131,143	359,906	1,186,150	55,006	2,806,706	771,237	867,109	95,872
Bonds.....	17,425,753	99,388	(70,079)	103,787	4,398	30,365,341	169,467	173,390	3,922
Others.....	6,815,009	208,257	(33,797)	267,723	59,466	8,479,639	242,054	277,274	35,220

- 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 consolidated balance sheet amounts.
- Net unrealized gains (losses) on other securities, as of March 31, 2014 and 2013, included gains of ¥17,031 million and ¥29,831 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, 2014 and 2013, were reduced by ¥17,031 million and ¥29,831 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

Total capital ratio as of March 31, 2014 increased 0.8% year-on-year to 15.51%, reflecting the recording of net income and other factors. Tier I capital ratio increased 1.26% to 12.19%, and Common equity Tier I capital ratio rose 1.25% to 10.63%.

Consolidated Capital Ratio (International Standard)

March 31	Millions of yen		
	2014 (A)	2013 (B)	Increase (decrease) (A) – (B)
Common equity Tier 1 capital	6,550,796	5,855,852	694,944
Common equity Tier 1 capital ratio	10.63%	9.38%	1.25%
Additional Tier 1 capital	963,538	973,168	(9,630)
Tier 1 capital	7,514,335	6,829,021	685,314
Tier 1 capital ratio	12.19%	10.93%	1.26%
Tier 2 capital	2,047,083	2,356,989	(309,906)
Total capital	9,561,418	9,186,010	375,408
Total capital ratio	15.51%	14.71%	0.80%
Risk weighted assets	61,623,294	62,426,124	(802,830)

4. Dividend Policy

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.

SMFG had a basic policy of steadily increasing returns to shareholders through the sustainable growth of its enterprise value, while enhancing its capital to maintain financial soundness in light of the public nature of its business as a bank holding company, and aimed to realize a payout ratio of over 20% on a consolidated net income basis.

In line with this policy, the annual dividend per share of common stock at the end of fiscal 2013 was increased by ¥10 year-on-year to ¥120, in view of the fiscal 2013 operating results.

SMFG aims to increase the dividend per share in a stable manner by implementing measures for the sustainable growth of shareholder value. To this end, we aim to achieve higher profitability and growth through growth investments with the focus on efficiency of our capital, while enhancing retained earnings to maintain financial soundness.