

Financial Review

Operating Results

Income Summary (SMFG Consolidated)

Year ended March 31	2016 (A)	2017 (B)	Increase (decrease) (B) – (A)
Consolidated gross profit	2,904.0	2,920.7	16.8
General and administrative expenses	(1,724.8)	(1,812.4)	(87.6)
Equity in gains (losses) of affiliates	(36.2)	24.6	60.7
Consolidated net business profit	1,142.9	1,132.9	(10.1)
Total credit cost	(102.8)	(164.4)	(61.6)
Gains (losses) on stocks	69.0	55.0	(14.0)
Others	(123.9)	(17.6)	106.2
Ordinary profit	985.3	1,005.9	20.6
Profit attributable to owners of parent	646.7	706.5	59.8

(Reference) Income Summary (SMBC Non-consolidated)

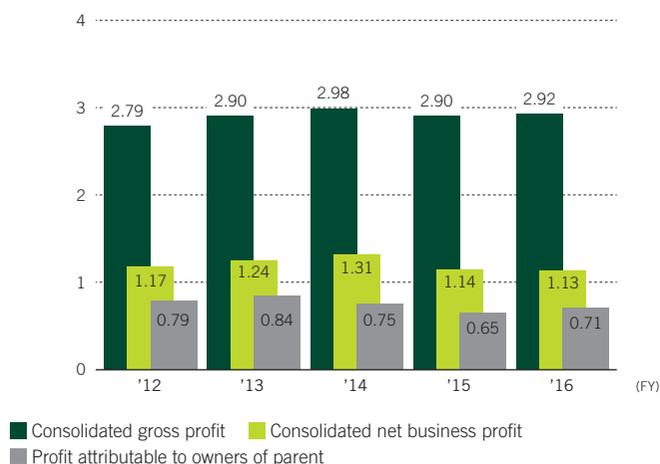
Year ended March 31	2016 (A)	2017 (B)	Increase (decrease) (B) – (A)
Gross banking profit	1,534.3	1,663.7	129.4
Expenses* ¹	(805.5)	(816.9)	(11.5)
Banking profit* ²	728.8	846.7	117.9
Credit cost	3.2	(61.1)	(64.3)
Gains (losses) on stocks	35.3	115.1	79.7
Others	(19.4)	(36.6)	(17.2)
Ordinary profit	747.9	864.0	116.1
Net income	609.2	681.8	72.6

*1 Excluding non-recurring losses

*2 Before provision for general reserve for possible loan losses

► Consolidated gross profit / Consolidated net business profit / Profit attributable to owners of parent (SMFG Consolidated)

(Trillions of yen)



Consolidated net business profit

Consolidated gross profit increased by ¥16.8 billion year-on-year to ¥2,920.7 billion. The primary reasons were an increase in profit of SMBC Nikko Securities Inc. by regarding as rallies in the market conditions and profit contribution of SMFL Capital Company, Limited which has been included in the scope of consolidation from fiscal 2016, despite of an impact of negative interest rates.

General and administrative expenses increased by ¥87.6 billion year-on-year to ¥1,812.4 billion, due to ongoing investments to enhance top-line profit growth and the effects from system investments in the past years, despite of strengthening of cost control in the entire group. Equity in gains (losses) of affiliates increased by ¥60.7 billion year-on-year to ¥24.6 billion. This was mainly because an impairment loss on goodwill was recognized for BTPN in the previous fiscal year, which is not recognized in this fiscal year.

As a result, consolidated net business profit decreased by ¥10.1 billion year-on-year to ¥1,132.9 billion.

Credit cost

Total credit cost increased by ¥61.6 billion year-on-year to ¥164.4 billion. This was mainly due to additional reserves for possible loan losses with worsened business results of SMBC's obligor with large exposure.

Gains (losses) on stocks

Gains (losses) on stocks decreased by ¥14.0 billion year-on-year to ¥55.0 billion.

Ordinary profit

In addition to the above items, Others increased by ¥106.2 billion, resulting in losses of ¥17.6 billion. This was mainly due to provision for reserve for losses on interest repayment in the previous fiscal year, which is not recognized in this fiscal year and for other reasons. As a result, Ordinary profit increased by ¥20.6 billion year-on-year to ¥1,005.9 billion.

Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥59.8 billion year-on-year to ¥706.5 billion due to an increase in deferred tax assets recoverable in the future with application of the consolidated corporate-tax system from fiscal year ending March 31, 2018 (fiscal 2017).

Financial Position

Consolidated Balance Sheet (SMFG Consolidated)

March 31	2016 (A)	2017 (B)	Increase (decrease) (B) – (A)
Assets	186,585.8	197,791.6	11,205.8
Loans and bills discounted	75,066.1	80,237.3	5,171.2
Securities	25,264.4	24,631.8	(632.7)
Liabilities	176,138.2	186,557.3	10,419.2
Deposits	110,668.8	117,830.2	7,161.4
Negotiable certificates of deposit	14,250.4	11,880.9	(2,369.5)
Net assets	10,447.7	11,234.3	786.6

NPLs based on the Financial Reconstruction Act (SMFG Consolidated)

March 31	2016 (A)	2017 (B)	Increase (decrease) (B) – (A)
NPLs based on the Financial Reconstruction Act (A)	992.7	927.7	(65.1)
Normal assets	85,579.4	91,575.2	5,995.8
Total (B)	86,572.2	92,502.9	5,930.7
NPL ratio (A/B)	1.15%	1.00%	(0.15)%

Unrealized Gains (Losses) on Other Securities (SMFG Consolidated)*

March 31	2016		2017		Increase (decrease) (B) – (A)
	Consolidated balance sheet amount	Net unrealized gains (losses) (A)	Consolidated balance sheet amount	Net unrealized gains (losses) (B)	
Stocks	3,511.9	1,573.0	3,757.8	1,921.9	348.9
Bonds	10,893.1	109.2	10,181.4	60.4	(48.8)
Others	8,728.5	225.3	9,677.7	206.5	(18.9)
Total	23,133.4	1,907.5	23,616.8	2,188.7	281.2

* 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.

Loans and bills discounted

Loans and bills discounted increased by ¥5,171.2 billion year-on-year to ¥80,237.3 billion. This increase was mainly due to increases in both domestic and overseas loans and bills discounted of SMBC.

Deposits

Deposits increased by ¥7,161.4 billion year-on-year to ¥117,830.2 billion. This increase was mainly due to increases in both individual and corporate deposits in Japan. Negotiable certificates of deposit decreased by ¥2,369.5 billion year-on-year to ¥11,880.9 billion.

NPLs based on the Financial Reconstruction Act

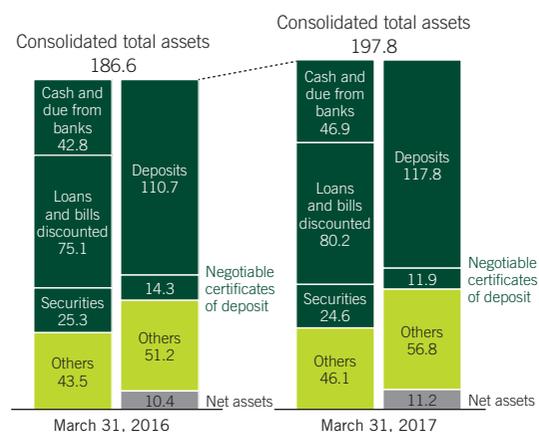
NPLs based on the Financial Reconstruction Act decreased by ¥65.1 billion year-on-year to ¥927.7 billion. As a result, NPL ratio decreased by 0.15 percentage points year-on-year to 1.00%.

Securities

Securities decreased by ¥632.7 billion year-on-year to ¥24,631.8 billion. Net unrealized gains on other securities increased by ¥281.2 billion year-on-year to ¥2,188.7 billion.

Consolidated Balance Sheet (SMFG Consolidated)

(Trillions of yen)



Financial Review

Capital

Consolidated capital ratio (international standard) (SMFG Consolidated)

March 31	2016 (A)	2017 (B)	(Billions of yen) Increase (decrease) (B) – (A)
Common equity Tier 1 capital	7,796.5	8,608.5	812.0
Additional Tier 1 capital	1,235.2	1,337.7	102.5
Tier 1 capital	9,031.7	9,946.2	914.5
Tier 2 capital	2,204.3	2,027.5	(176.8)
Total capital	11,235.9	11,973.7	737.7
Risk weighted assets	66,011.6	70,683.5	4,671.9
Common equity Tier 1 capital ratio	11.81%	12.17%	0.36%
Tier 1 capital ratio	13.68%	14.07%	0.39%
Total capital ratio	17.02%	16.93%	(0.09)%

Basel III fully-loaded basis (Based on the definition as of March 31, 2019)

Common equity Tier 1 capital	7,901.0	8,678.7	777.7
Common equity Tier 1 capital ratio	11.9%	12.2%	0.3%
(Excludes net unrealized gains (losses) on other securities)	9.9%	10.0%	0.1%

Capital

Common equity Tier 1 capital increased by ¥812.0 billion year-on-year to ¥8,608.5 billion, and total capital increased by ¥737.7 billion year-on-year to ¥11,973.7 billion, due to an increase in profit attributable to owners of parent.

Risk weighted assets

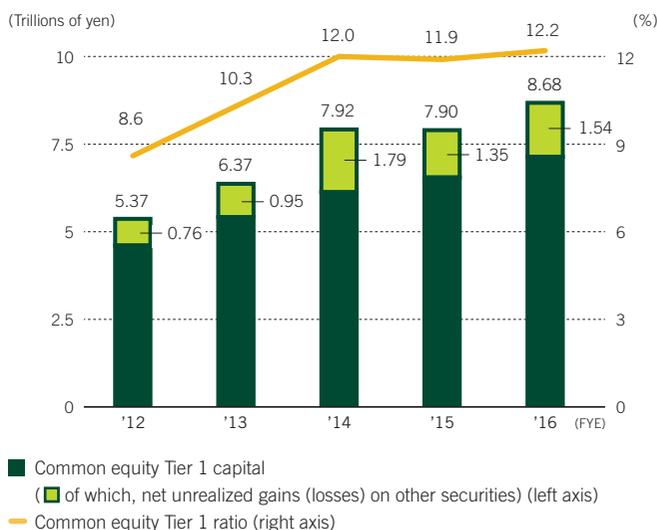
Risk weighted assets increased by ¥4,671.9 billion year-on-year to ¥70,683.5 billion. The increase was mainly due to assets investments in both domestic and overseas operations, an influence that SMFL Capital Company became a consolidated subsidiary of SMFG from fiscal 2016, and for other reasons.

Capital ratio

The common equity Tier 1 ratio increased by 0.36 percentage points year-on-year to 12.17%, and the total capital ratio decreased by 0.09 percentage points year-on-year to 16.93%.

Calculated on a Basel III fully-loaded basis (based on the definition as of March 31, 2019), the common equity Tier 1 ratio increased by 0.3 percentage points year-on-year to 12.2%

Common equity Tier 1 ratio (fully-loaded basis, SMFG consolidated)

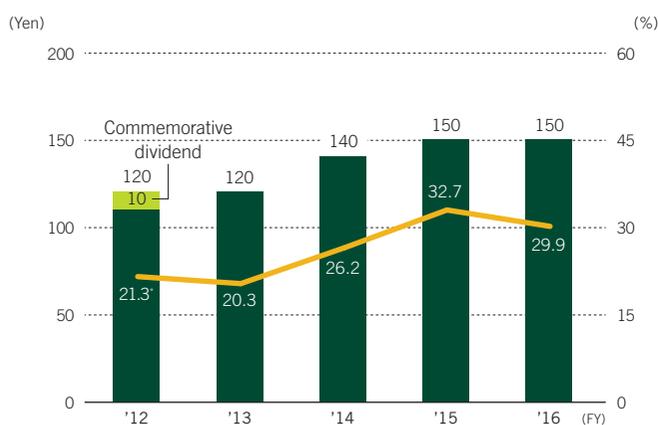


Dividend

Our basic policy was to achieve a sustainable increase in shareholder value and raise dividend per share in a stable manner by realizing higher profitability and growth through growth investments with the focus on efficiency of our capital while enhancing retained earnings to maintain financial soundness.

In line with this basic policy, SMFG decided the ordinary dividend per share on common stock was ¥150 in fiscal 2016, the same as in the previous fiscal year.

► Ordinary dividend per share



■ Dividend per share (left axis) — Dividend payout ratio (right axis)

* Dividend payout ratio including commemorative dividend (¥10 per share)