

# Financial Review

## Principal Financial Data

### Consolidated Performance Summary

(Billions of yen)

Year ended March 31	2014	2015	2016	2017	2018
Consolidated gross profit	2,898.2	2,980.4	2,904.0	2,920.7	<b>2,981.1</b>
Net interest income	1,484.2	1,505.2	1,422.9	1,358.6	<b>1,390.2</b>
Net fees and commissions + Trust fees	987.1	999.6	1,007.5	1,017.1	<b>1,070.5</b>
Net trading income + Net other operating income	427.0	475.7	473.5	545.0	<b>520.3</b>
General and administrative expenses	1,569.9	1,659.3	1,724.8	1,812.4	<b>1,816.2</b>
Overhead ratio	54.2%	55.7%	59.4%	62.1%	<b>60.9%</b>
Equity in gains (losses) of affiliates	10.2	(10.6)	(36.2)	24.6	<b>39.0</b>
Consolidated net business profit	1,338.5	1,310.5	1,142.9	1,132.9	<b>1,203.8</b>
Total credit cost (gains)	(49.1)	7.8	102.8	164.4	<b>94.2</b>
SMBC non-consolidated	(123.9)	(80.1)	(3.2)	61.1	<b>(26.7)</b>
Gains (losses) on stocks	89.2	66.7	69.0	55.0	<b>118.9</b>
Other income (expenses)	(44.5)	(48.2)	(123.9)	(17.6)	<b>(64.5)</b>
Ordinary profit	1,432.3	1,321.2	985.3	1,005.9	<b>1,164.1</b>
Extraordinary gains (losses)	(9.6)	(11.8)	(5.1)	(26.6)	<b>(55.3)</b>
Income taxes	458.8	441.4	225.0	171.0	<b>270.5</b>
Profit attributable to non-controlling interests	128.5	114.4	108.4	101.8	<b>104.0</b>
Profit attributable to owners of parent	835.4	753.6	646.7	706.5	<b>734.4</b>

### Consolidated Balance Sheet Summary

March 31

Total assets	161,534.4	183,442.6	186,585.8	197,791.6	<b>199,049.1</b>
Loans and bills discounted	68,227.7	73,068.2	75,066.1	80,237.3	<b>72,945.9</b>
Securities	27,152.8	29,633.7	25,264.4	24,631.8	<b>25,712.7</b>
Total liabilities	152,529.4	172,746.3	176,138.2	186,557.3	<b>187,436.2</b>
Deposits	94,331.9	101,047.9	110,668.8	117,830.2	<b>116,477.5</b>
Negotiable certificates of deposit	13,713.5	13,825.9	14,250.4	11,880.9	<b>11,220.3</b>
Total net assets	9,005.0	10,696.3	10,447.7	11,234.3	<b>11,612.9</b>
Stockholders' equity	6,401.2	7,018.4	7,454.3	8,119.1	<b>8,637.0</b>
Retained earnings	3,480.1	4,098.4	4,534.5	5,036.8	<b>5,552.6</b>
Accumulated other comprehensive income	878.0	2,003.9	1,459.5	1,612.5	<b>1,753.4</b>
Non-controlling interests	1,724.0	1,671.7	1,531.0	1,499.3	<b>1,219.6</b>

### Financial Indicators

March 31

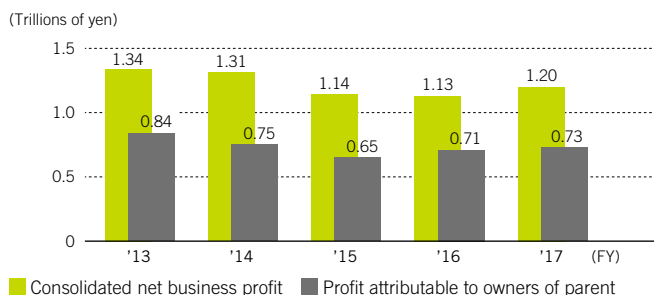
Total capital ratio (BIS guidelines)	15.51%	16.58%	17.02%	16.93%	<b>19.36%</b>
Tier 1 capital ratio (BIS guidelines)	12.19%	12.89%	13.68%	14.07%	<b>16.69%</b>
Common equity Tier 1 capital ratio (BIS guidelines)	10.63%	11.30%	11.81%	12.17%	<b>14.50%</b>
Dividend per share (Yen)	120	140	150	150	<b>170</b>
Dividend payout ratio	20.3%	26.2%	32.7%	29.9%	<b>32.7%</b>
ROE (on a stockholders' equity basis)	13.8%	11.2%	8.9%	9.1%	<b>8.8%</b>

### Market Data (As of the end of each fiscal year)

Nikkei Stock Average (Yen)	14,828	19,207	16,759	18,909	<b>21,454</b>
Foreign exchange rate (USD/JPY)	102.88	120.15	112.62	112.19	<b>106.25</b>

## Consolidated Performance Summary

### Consolidated net business profit / Profit attributable to owners of parent (Consolidated)



### Contribution of subsidiaries to Profit attributable to owners of parent

Year ended March 31	2018
Sumitomo Mitsui Banking Corporation	577.0
SMBC Nikko Securities*	61.9
Sumitomo Mitsui Finance and Leasing	32.7
SMBC Consumer Finance	24.6
Sumitomo Mitsui Card Company	18.7
Sumitomo Mitsui Asset Management	3.6
Cedyna	2.4
SMBC Trust Bank	(5.8)

\* Excludes profit from overseas equity-method affiliates of SMBC Nikko Securities (consolidated subsidiaries of Sumitomo Mitsui Financial Group)

### Consolidated net business profit

Consolidated gross profit increased by ¥60.3 billion year-on-year to ¥2,981.1 billion. The primary reasons were the strong performance of investment products for retail customers and continuous growth of credit card and overseas businesses.

General and administrative expenses increased by only ¥3.8 billion year-on-year to ¥1,816.2 billion and remained almost flat as a result of the group-wide cost control initiatives while expenses increased along with the top-line growth of SMBC NIKKO and SMCC. Equity in gains (losses) of affiliates increased by ¥14.4 billion year-on-year to ¥39.0 billion primarily as a result of gains recorded on the sales of stock of a subsidiary of The Bank of East Asia, Limited.

As a result, consolidated net business profit increased by ¥71.0 billion year-on-year to ¥1,203.8 billion.

### Profit attributable to owners of parent

Total credit cost decreased by ¥70.2 billion year-on-year to ¥94.2 billion. This was mainly due to the debt collection from SMBC's large borrowers for which reserves for possible loan losses had been recorded in past and additional reserves for possible loan losses recorded in fiscal 2016, but not in fiscal 2017, for SMBC's large borrowers with declining business results.

Gains (losses) on stocks increased by ¥63.9 billion year-on-year to ¥118.9 billion as a result of increase in sales gain through the Company's efforts to reduce strategic shareholdings.

In addition to the above items, other income (expenses) decreased by ¥46.8 billion, resulting in losses of ¥64.5 billion. This was mainly due to the provisions for losses on interest repayment in preparation for future potential claims for over-charged interest at SMBC Consumer Finance and Cedyna. As a result, ordinary profit increased by ¥158.3 billion year-on-year to ¥1,164.1 billion.

Extraordinary gains (losses) decreased by ¥28.7 billion, resulting in losses of ¥55.3 billion. This outcome was a result of expenses associated with branch reorganization including movement of branches scheduled during the period of the Medium-Term Management Plan by fiscal 2019.

Income taxes increased by ¥99.6 billion year-on-year to ¥270.5 billion due to the loss of tax benefits recorded in fiscal 2016 by implementing the consolidated corporate-tax system.

Due to the above, profit attributable to owners of parent increased by ¥27.8 billion year-on-year to ¥734.4 billion.

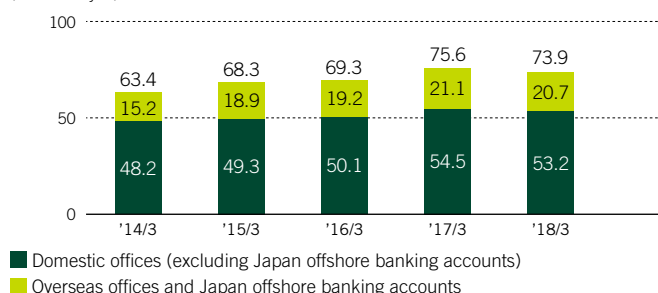
## Consolidated Balance Sheet Summary

### Loans and bills discounted (SMBC non-consolidated)

Loans and bills discounted decreased by ¥1,689.1 billion year-on-year to ¥73,896.2 billion due to a decrease in loans to government agencies and the absence of bridge loans related to large acquisition finance transactions.

### Balance of Loan

(Trillions of yen)

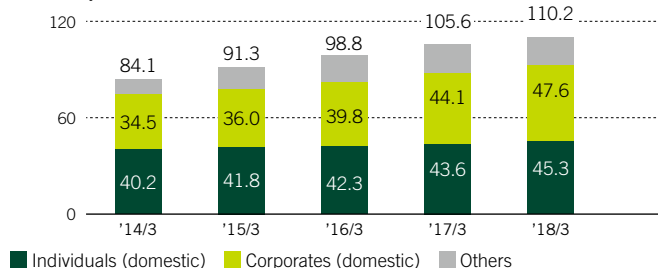


### Deposits (SMBC non-consolidated)

Deposits increased by ¥4,652.5 billion year-on-year to ¥110,243.2 billion. This increase was mainly due to increases in both individual and corporate deposits in Japan.

### Balance of Deposit

(Trillions of yen)



### Domestic loan-to-deposit interest spread (SMBC Non-consolidated)

In fiscal 2017, domestic loan-to-deposit interest spread decreased 0.06 percentage point year-on-year to 0.98% primarily as a result of a decline of loan spreads. After the first quarter, the decrease in domestic loan-to-deposit interest

spread has been limited to 0.02 percentage point, and this downward trend appears to be bottoming out.

### Domestic Loan-to-Deposit Interest Spread

(%)

	Fiscal 2017				Fiscal 2016	
	1Q	2Q	3Q	4Q	Yearly average	Yearly average
Interest earned on loans and bills discounted	0.99	0.98	0.98	0.97	<b>0.98</b>	1.05
Interest paid on deposits	0.00	0.00	0.00	0.00	<b>0.00</b>	0.01
Loan-to-deposit spread	0.99	0.98	0.98	0.97	<b>0.98</b>	1.04

### Securities

Securities increased ¥1,080.9 billion year-on-year to ¥25,712.7 billion due to an increase in the amount of Japanese government bonds held by SMBC. Net unrealized gains on other securities increased by ¥219.5 billion year-on-year to ¥2,408.2 billion mainly because of higher stock prices.

### Unrealized Gains (Losses) on Other Securities

(Billions of yen)

	Balance		Net unrealized gains (losses)	
	March 31, 2018	YoY	March 31, 2018	YoY
Stocks	<b>3,889.3</b>	+131.6	<b>2,173.7</b>	+251.8
Bonds	<b>11,834.2</b>	+1,652.8	<b>44.4</b>	(16.0)
Others	<b>9,716.7</b>	+39.0	<b>190.1</b>	(16.3)
Total	<b>25,440.2</b>	+1,823.4	<b>2,408.2</b>	+219.5

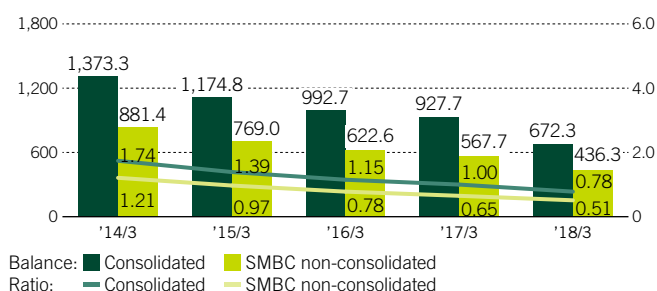
### NPLs based on the Financial Reconstruction Act

The balance of NPLs based on the Financial Reconstruction Act decreased by ¥255.4 billion year-on-year to ¥672.3 billion. As a result, the NPL ratio improved by 0.22 percentage point to 0.78%. Both the balance and ratio of NPLs remained at low levels.

### Balance of NPLs based on the Financial Reconstruction Act and NPL Ratio

(Billions of yen)

(%)



## Capital

### ■ Capital

Common equity Tier 1 capital increased by ¥608.9 billion year-on-year and total capital increased by ¥330.5 billion year-on-year due to an increase in retained earnings.

### ■ Risk weighted assets

Risk weighted assets decreased by ¥7,143.3 billion year-on-year, due to the exclusion of Kansai Urban Banking Corporation and THE MINATO BANK, LTD. from the scope of consolidation as well as improvement of the credit portfolio for domestic large borrowers in the Wholesale Business Unit.

### ■ Capital ratio

The common equity Tier 1 ratio was 14.50% and the total capital ratio was 19.36%. Based on the regulations to be applied on March 31, 2019, the common equity Tier 1 ratio was 14.5%.

#### Total capital ratio (BIS guidelines)

March 31	2018 (A)	2017 (B)	Increase (decrease) (A-B)
Common equity Tier 1 capital	<b>9,217.4</b>	8,608.5	+608.9
Additional Tier 1 capital	<b>1,392.9</b>	1,337.7	+55.2
Tier 1 capital	<b>10,610.2</b>	9,946.2	+664.0
Tier 2 capital	<b>1,693.9</b>	2,027.5	(333.6)
Total capital	<b>12,304.1</b>	11,973.7	+330.5
Risk weighted assets	<b>63,540.3</b>	70,683.5	(7,143.3)
Common equity Tier 1 capital ratio	<b>14.50%</b>	12.17%	+2.33%
Tier 1 capital ratio	<b>16.69%</b>	14.07%	+2.62%
Total capital ratio	<b>19.36%</b>	16.93%	+2.43%

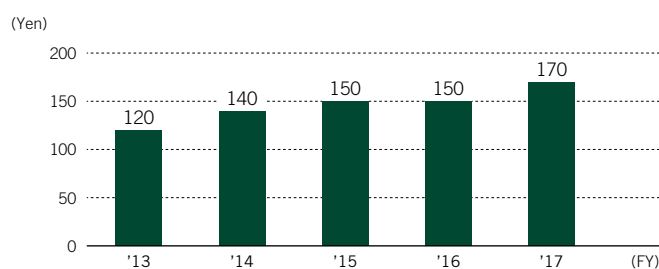
Basel III fully-loaded basis (Based on the definition as of March 31, 2019)

Common equity Tier 1 capital	<b>9,217.4</b>	8,678.7	+538.7
Common equity Tier 1 capital ratio	<b>14.5%</b>	12.2%	+2.3%
Common equity Tier 1 capital ratio (Excludes net unrealized gains (losses) on other securities)	<b>11.8%</b>	10.0%	+1.8%

## Shareholder Returns

For fiscal 2017, the Company distributed ordinary dividend per share of common stock of ¥170, ¥20 higher than in the previous fiscal year and ¥10 higher than the disclosed forecast, in reflection of the fact that profit attributable to owners of parent was much higher than the forecast as of the beginning of fiscal 2017. In addition, the Company conducted ¥70.0 billion repurchase of own shares in May and June 2018 with the aim of further enhancing shareholder returns.

### Ordinary dividend per share of common stock



### Dividend payout ratio

20.3%	26.2%	32.7%	29.9%	32.7%
(Reference) Total payout ratio 42.2%				

### Overview of repurchase of own shares

Type of shares repurchased	Common stock
Aggregate number of shares repurchased	Approximate 15,370,000 shares (all repurchased shares are to be cancelled)
Aggregated amount repurchased	¥70.0 billion
Repurchase period	May 15–June 19, 2018