

Provisional translation of  
the original Japanese version



**SMFG** SUMITOMO MITSUI  
FINANCIAL GROUP

# **Financial Results for FY2008 & Management Policies and Strategies**

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## **May 26, 2009**

# Agenda

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# 1. Financial Results for FY2008

# 1-1. Key Achievements in FY2008

*Taking a step forward to accomplishing medium- and long-term growth, while coping with uncertainty in business environment*

## Coping with uncertainty in business environment

### Banking profit (SMBC non-consolidated) increased year over year

through:

- An increase in Net interest income and an improvement of Gains on bonds, etc.

Banking profit (SMBC non-consolidated)

	<u>FY07</u>		<u>FY08</u>
	JPY 819.7 bn	▶	JPY 823.4 bn
			(JPY +3.7 bn YOY)

- Controlled SMBC's Overhead ratio below 50%

### Took conservative financial measures

- Made additional provisions for economic deterioration
- Recognized Deferred tax assets conservatively

### Tier I ratio above 8% on a SMFG consolidated basis

- Issued Tier I preferred securities (approx. JPY 1.1 tn in FY08)
- Implemented Advanced-IRB method in Basel II

## Taking step forward to accomplishing medium- / long-term growth

### Solution providing for corporations

- Initiatives to provide clients with a sufficient supply of funds
- Fortified corporate business depts. & co-operating specialized depts  
(Established Global Advisory Dept., in addition to Corporate Advisory Div. and Private Advisory Dept.)

### Fortified products and service lineup in financial consulting for individuals

- Expanded channels to provide level-premium insurances

### Credit card business

Established in Oct. 08

- Established "SMFG Card & Credit," which manages Group's credit card business

### Overseas

- Strategic alliance with leading commercial banks

Barclays PLC

Kookmin Bank  
(Korea)

Bank of East Asia  
(Hong Kong)

First Commercial  
Bank (Taiwan)

# 1-2. Summary of Financial Results for FY2008

SMBC's non-consolidated Gross banking profit increased by JPY 3.7 billion year over year, mainly led by an increase of Net interest income of international operations and an improvement in Gains (losses) on bonds even under the current severe business environment

Meanwhile, we made additional provisions in preparation for future economic deterioration and recognized Deferred tax assets more conservatively. As a result, SMFG's consolidated Ordinary profit was JPY 45.3 billion, a JPY 785.9 billion decrease year over year. Also, SMFG's Net loss was JPY 373.5 billion, worsened by JPY 835.0 billion year over year

(JPY bn)		FY08	YOY change
SMBC <non-consolidated>	Gross banking profit	1,524.9	+ 40.1
	Expenses (Overhead ratio)	(701.5) <46.0%>	(36.4) <+ 1.2%>
	Banking profit*1	823.4	+ 3.7
	Gains (losses) on stock	(220.4)	(79.4)
	Total credit cost	(550.1)	(402.3)
	Ordinary profit	36.1	(474.6)
	Net income (loss)	(301.1)	(506.8)
SMFG <consolidated>	Ordinary profit	45.3	(785.9)
	Net income (loss)	(373.5)	(835.0)

- ✓ An increase in Net interest income of international operations due to a decline of U.S. dollar interest rate
- ✓ An improvement in Gains (losses) on bonds, led by effective management flexibly responding to fluctuation in both domestic and overseas interest rates and the decrease of losses from subprime loan related products

- ✓ Approx. JPY 180 billion increased compared with Nov. 08 forecast (i.e. JPY 370 billion) due to an increase in credit cost resulting from the rapid global economic downturns and additional provisions made in preparation for future economic deterioration

- ✓ Adjustments for income taxes decreased Net income by JPY 305.2 billion, as we recognized Deferred tax assets conservatively by assuming stronger stress on our estimated future earnings, which affect collectability of Deferred tax assets

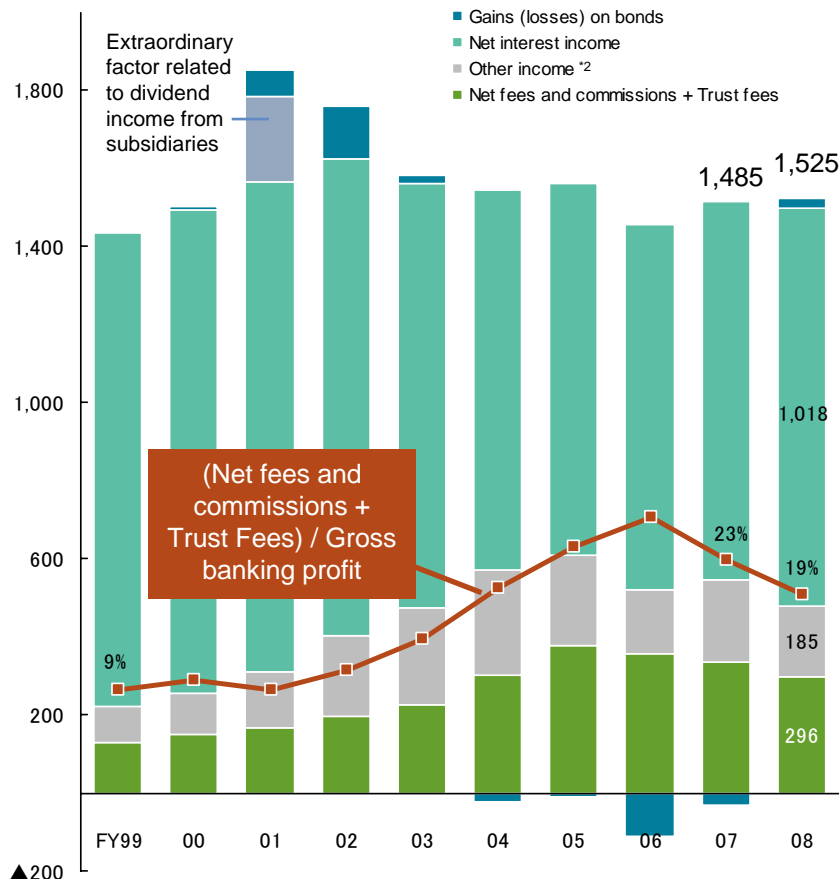
\*1 Before provision for general reserve for possible loan losses

# 1-3. Top-Line Profit (1) Gross Banking Profit

Gross banking profit increased mainly due to an increase of Net interest income of international operations and an improvement in Gains (losses) on bonds

## Gross banking profit\*1

(JPY bn)



\*1 FY00 and before: aggregated figures of former Sakura Bank and Sumitomo Bank

\*2 Other income = Net trading income + Net other operating income - Gains (losses) on bonds

## Major factors of YOY change

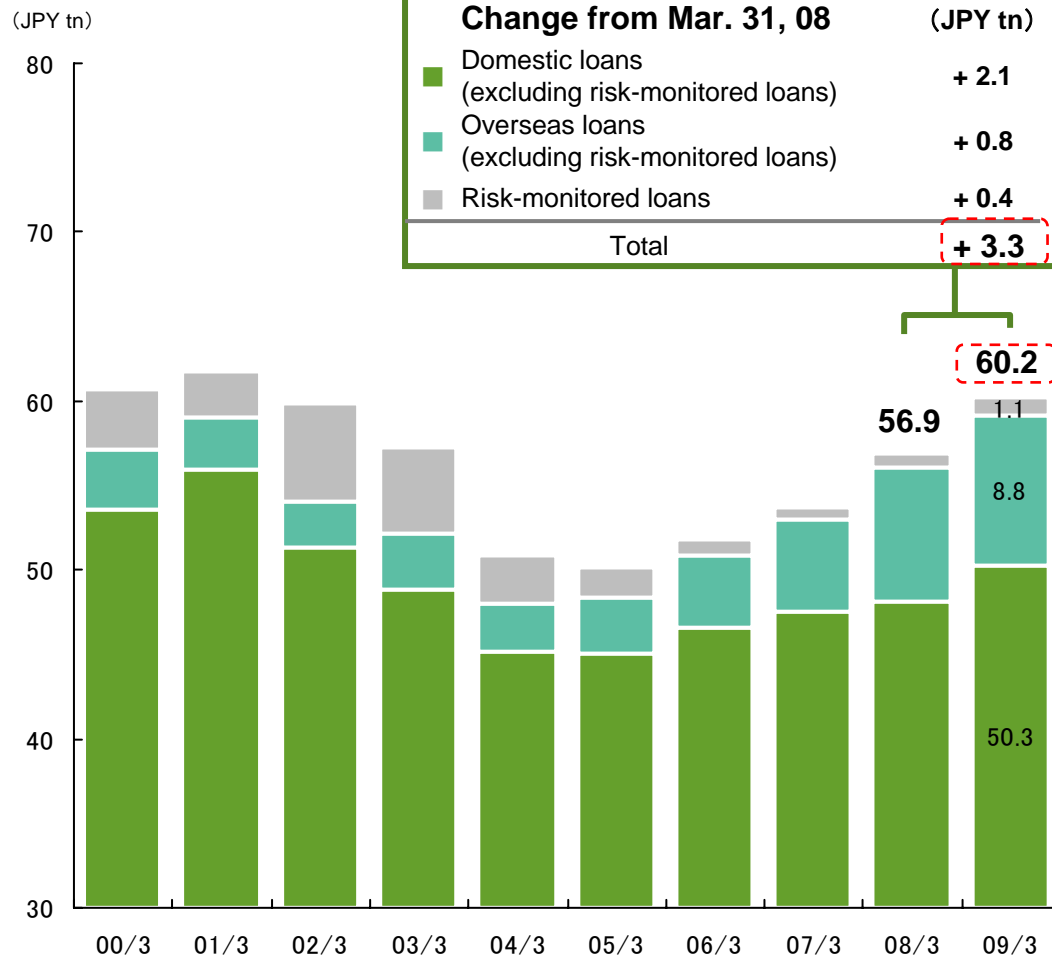
	(JPY bn)	FY08	YOY change
<b>Gross banking profit</b>		<b>1,524.9</b>	<b>+ 40.1</b>
<b>Net interest income</b>		<b>1,018.4</b>	<b>+ 47.6</b>
Net interest income on loans and deposits*3		1,063.8	+ 164.4
Interest and dividends on securities		294.0	(28.3)
Interest on interest rate swaps		(79.5)	+ 9.8
Interest on deposits from banks		38.0	(54.9)
<b>Net fees and commissions + Trust fees</b>		<b>295.9</b>	<b>(40.2)</b>
Fees related to sales of investment trust		25.9	(21.7)
Securities intermediary		5.2	(6.3)
<b>Net trading income + Net other operating income</b>		<b>210.6</b>	<b>+ 32.7</b>
Gains (losses) on bonds		26.1	+ 56.2
Profit from sales of derivatives products		38.5	(19.8)

\*3 Interest on loans and discounts - Interest on deposits

# 1-3. Top-Line Profit (2) Net Interest Income: Loan Balance

*Loan balance increased mainly due to response to strong loan demand from domestic large corporations*

## Trend of loan balance\*1



## Term-end balance by domestic business unit (managerial accounting basis)

(JPY tn)	Mar. 31, 09	Change from Mar. 31, 08
Consumer Banking Unit	15.1	+ 0.5 <sup>*2</sup>
Middle Market Banking Unit	20.4	(0.9)
Corporate Banking Unit	12.2	+ 2.1

## Balance of overseas lendings, classified by region\*3 (managerial accounting basis)

(JPY tn)	Mar. 31, 09	Change from Mar. 31, 08
Overseas Total	10.0	+ 0.9
Americas	3.4	+ 0.7
Europe	3.7	+ 0.2
Asia	2.9	+ 0.0

\*1 FY00 and before: aggregated figures of former Sakura Bank and Sumitomo Bank

\*2 After add-back adjustment of securitized portion of housing loans (Securitized approximately JPY 90 bn in FY08)

\*3 Including SMBC Europe, etc

# 1-3. Top-Line Profit (3) Net Interest Income: Loan to Deposit Spread

*In overseas operations, loan to deposit spread has improved due to substantial decline in USD interest rate after 2nd Half of FY07*

## Loan to deposit spread (financial accounting basis)

(JPY tn, %)

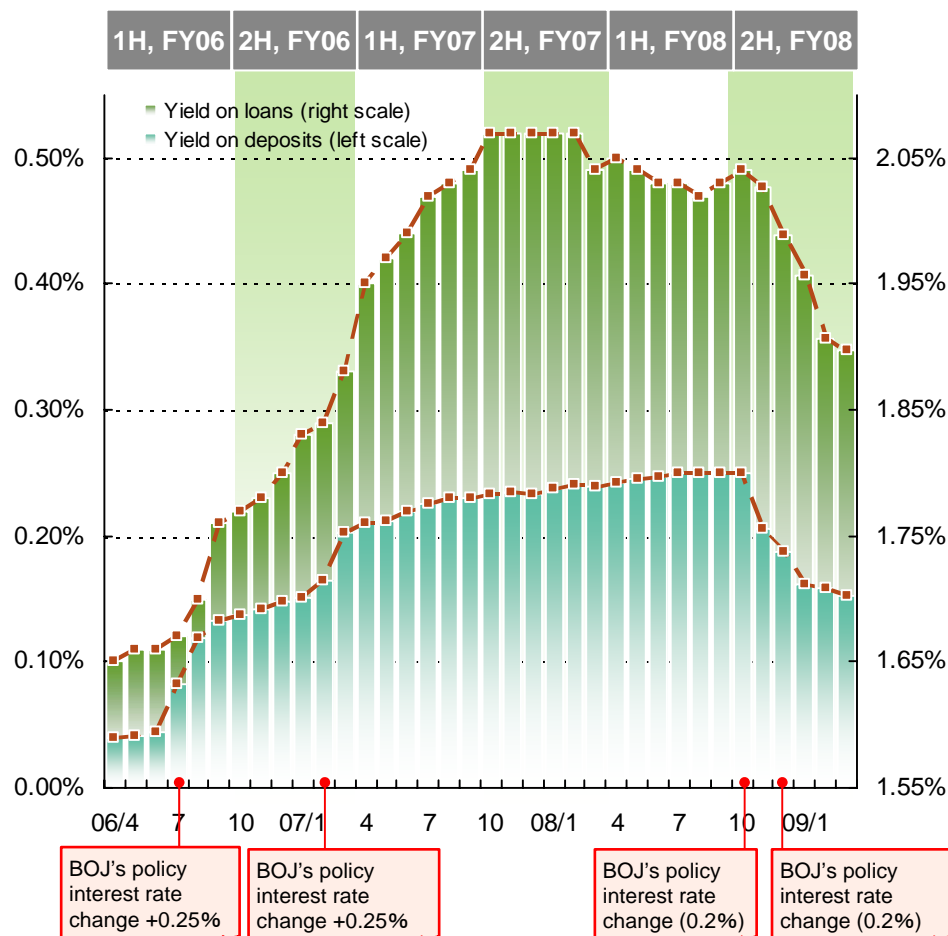
<Domestic>	FY2008		YOY change	
	Average balance	Yield	Average balance	Yield
Loans* (a)	46.8	1.99	+ 1.8	(0.05)
Deposits, etc. (b)	61.8	0.23	+ 2.0	0.00
Loan to deposit spread (a) - (b)		1.76		(0.05)

## <Overseas>

Loans (a)	10.2	3.67	+ 2.7	(1.36)
Deposits, etc. (b)	9.6	1.79	+ 0.3	(1.79)
Loan to deposit spread (a) - (b)		1.88		+ 0.43

\* Excluding loans to financial institutions

## Yield of domestic loans and deposits (managerial accounting basis)



- Short term prime rate: 1.375% → 1.625% (+ 0.250%, 2006/8/21 - ) → 1.875% (+ 0.250%, 2007/3/26 - ) → 1.675% (- 0.200%, 2008/11/17 - ) → 1.475% (- 0.200%, 2009/1/13 - )
- Yield on ordinary deposit: 0.001% → 0.100% (+ 0.099%, 2006/7/18 - ) → 0.200% (+ 0.100%, 2007/2/26 - ) → 0.120% (- 0.080%, 2008/11/4 - ) → 0.040% (- 0.080%, 2008/12/22 - )
- Yield on 1year time deposit: 0.150% → 0.300% (+ 0.150%, 2006/7/18 - ) → 0.400% (+ 0.100%, 2007/2/26 - ) → 0.300% (- 0.100%, 2008/11/12 - )



# 1-4. Performance by Business Unit

Banking profit on SMBC non-consolidated basis increased year over year, due to an increase of Banking profit in Treasury Unit, International Banking Unit, and Corporate Banking Unit, which offset a decrease in Middle Market Banking Unit, etc.

(JPY bn)		FY07	FY08	YOY change*	
Consumer Banking Unit	Gross banking profit	440.7	429.4	(11.3)	(1)
	Expenses	(271.4)	(290.7)	(19.3)	
	Banking profit	169.3	138.7	(30.6)	
Middle Market Banking Unit	Gross banking profit	624.3	539.8	(84.5)	(2)
	Expenses	(203.1)	(222.7)	(19.6)	
	Banking profit	421.2	317.1	(104.1)	
Corporate Banking Unit	Gross banking profit	186.7	196.7	+10.0	(3)
	Expenses	(31.1)	(31.5)	(0.4)	
	Banking profit	155.6	165.2	+ 9.6	
International Banking Unit	Gross banking profit	137.5	175.0	+ 37.5	(4)
	Expenses	(56.0)	(64.8)	(8.8)	
	Banking profit	81.5	110.2	+ 28.7	
Marketing Units	Gross banking profit	1,389.2	1,340.9	(48.3)	
	Expenses	(561.6)	(609.7)	(48.1)	
	Banking profit	827.6	731.2	(96.4)	
Treasury Unit	Gross banking profit	145.4	246.8	+ 101.4	(5)
	Expenses	(17.6)	(17.9)	(0.3)	
	Banking profit	127.8	228.9	+ 101.1	
Headquarters	Gross banking profit	(49.8)	(62.8)	(13.0)	
	Expenses	(85.9)	(73.9)	+ 12.0	
	Banking profit	(135.7)	(136.7)	(1.0)	
Total	Gross banking profit	1,484.8	1,524.9	+ 40.1	
	Expenses	(665.1)	(701.5)	(36.4)	
	Banking profit	819.7	823.4	+ 3.7	

## Major factors for YOY change in Gross banking profit

(JPY bn)			
(1)	Consumer Banking Unit: (11.3)	Income on deposits Investment trusts Securitization of housing loans Pension-type insurance	+ 24.0 (21.0) (7.0) (5.0)
(2)	Middle Market Banking Unit: (84.5)	Income on deposits Income on loans Derivatives Income on foreign exchanges Securities intermediary	+ 4.0 (33.0) (22.0) (8.0) (6.0)
(3)	Corporate Banking Unit: + 10.0	Income on loans Loan syndication	+ 5.0 + 4.0
(4)	International Banking Unit: + 37.5	Income on loans and deposits Fee income related to loans	+ 26.0 + 6.0
(5)	Treasury Unit: + 101.4	ALM operations (including gains (losses) on bond portfolio)	+102.0

## Average loan balance and spread by business unit (managerial accounting basis)

	Average balance		Average spread	
	FY08	YOY change	FY08	YOY change
(JPY tn, %)				
Domestic Loans	49.3	+ 1.9	1.11	(0.09)
Consumer Banking Unit	14.8	+ 0.2	1.63	(0.01)
Middle Market Banking Unit	20.4	(0.7)	1.20	(0.09)
Corporate Banking Unit	11.1	+ 1.3	0.57	(0.02)

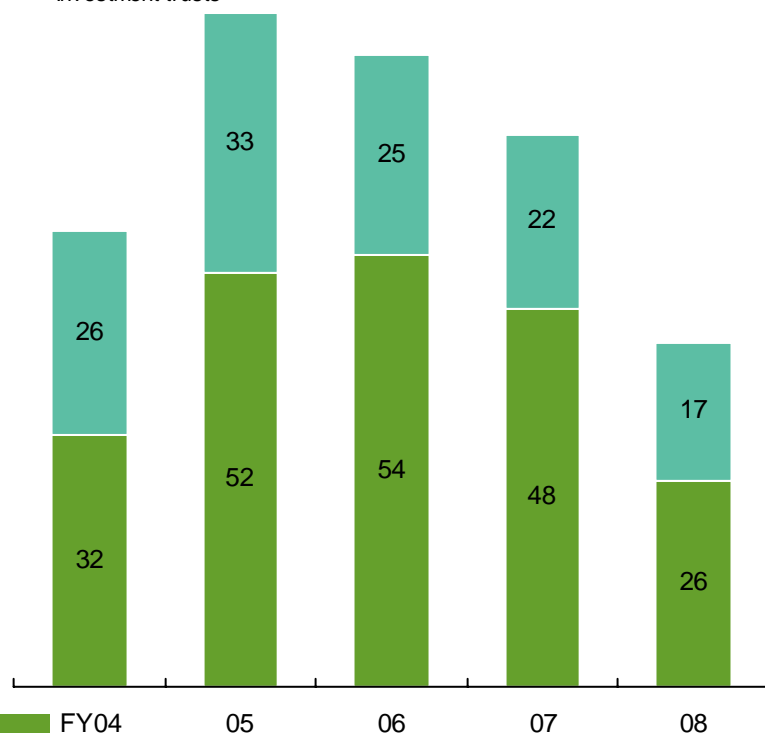
\* Before adjustment of interest rates and foreign exchange rates

# (Reference) Non-Interest Income

*Profits related to sales of investment trusts, etc. decreased under deteriorating market conditions*

## Profits related to investment trust and pension-type insurance

■ Pension-type insurance  
■ Investment trusts (JPY bn)



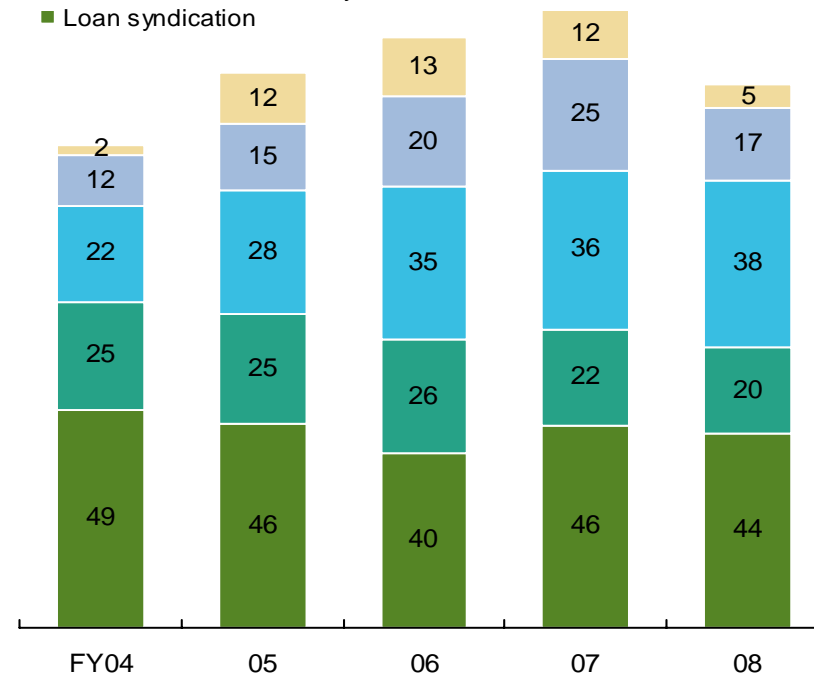
Outstanding balance \*1 (JPY tn)

FY04 3.3 → 05 4.5 → 06 5.6 → 07 5.6 → 08 4.9

\*1 Amount of investment trusts under SMBC account + accumulated sales of pension-type insurance as of fiscal year end

## Profits related to investment banking business

■ Securities intermediary  
■ Real estate finance  
■ Structured finance  
■ Securitization of monetary claims  
■ Loan syndication (JPY bn)



\*2 Profits of securities intermediary business: fees and commissions from the transactions with both individual and corporate clients. Profits of the other businesses: managerial accounting basis including fees, commissions, interest income, etc.

# 1-5. Gains (Losses) on Bonds

Gains (losses) on Bonds improved by JPY56.2billion year over year due to effective management flexibly responding to fluctuation in both domestic and overseas interest rate

## Gains (Losses) on bonds

(JPY bn)	FY07	FY08	YOY change
Gains (Losses) on bonds	(30.1)	26.1	+ 56.2
Losses due to subprime related exposure	(70.4)	(4.6)	+ 65.8

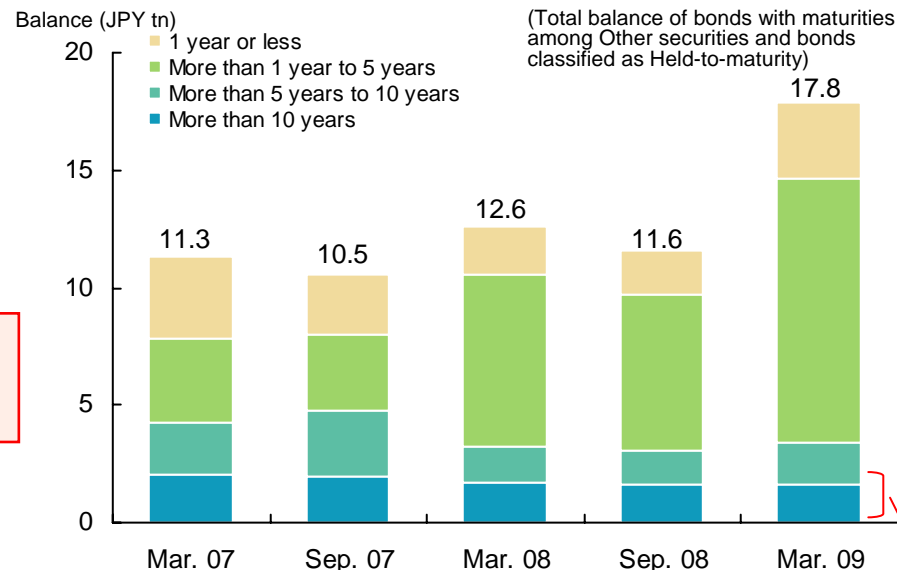
Massive decrease in losses from subprime loan related products

Recorded Gains on sale of bonds responding to trends of declining interest rate

## Interest and dividend on securities, and yield on securities

JPY bn									
120.7	196.4	155.1	213.9	164.0	158.3	177.1		116.9	
1H, FY05	2H, FY05	1H, FY06	2H, FY06	1H, FY07	2H, FY07	1H, FY08	2H, FY08		
FY05		FY06		FY07		FY08			
1.43%		1.76%		1.73%		1.31%		/	

## Yen-dominated bond portfolio



15 years Floating rate JGBs: JPY 1.8 tn

Average Duration (Years)	1.7	2.7	2.3	1.7	1.8
Unrealized gains / losses (JPY bn)	(151.4)	(157.7)	(129.5)	(56.5)	(1.2)

15-years floating rate JGBs have been carried at their reasonably estimated amounts on and after 1st Half, FY08

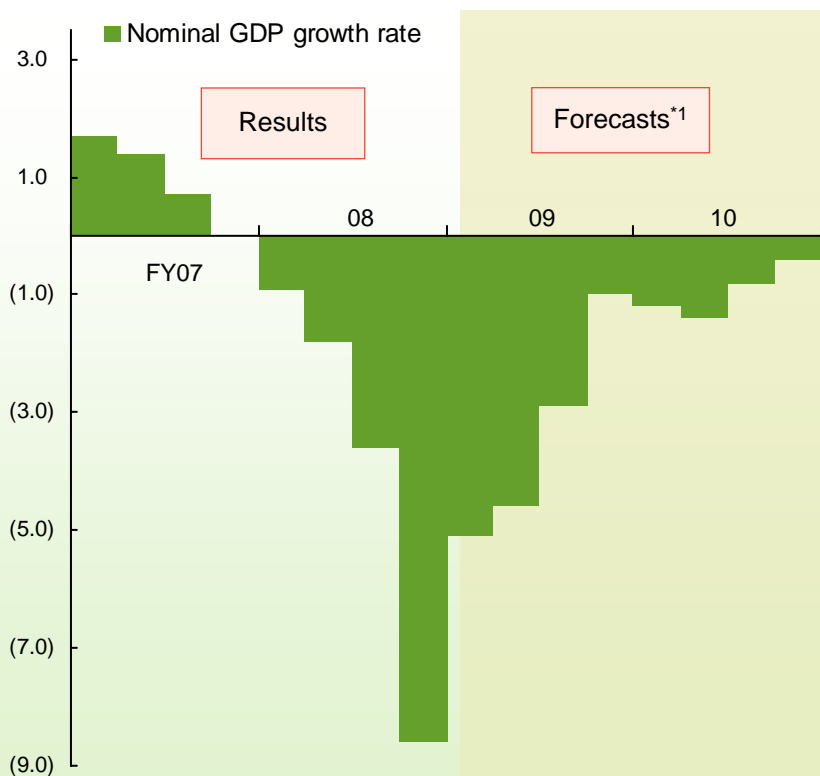
\* Excluding bonds classified as held-to-maturity, bonds for which hedge accounting is applied, and private placement bonds. Duration of 15 year floating rate JGBs is calculated zero.

# 1-6.Total Credit Cost

Total credit cost increased due to the rapid global economic downturn and additional provisions made in preparation for the continuation of such economic situation

We will implement various measures for controlling credit costs through more strengthened relationship with customers based on integrated initiatives between the head office and business offices

## Nominal GDP growth rate

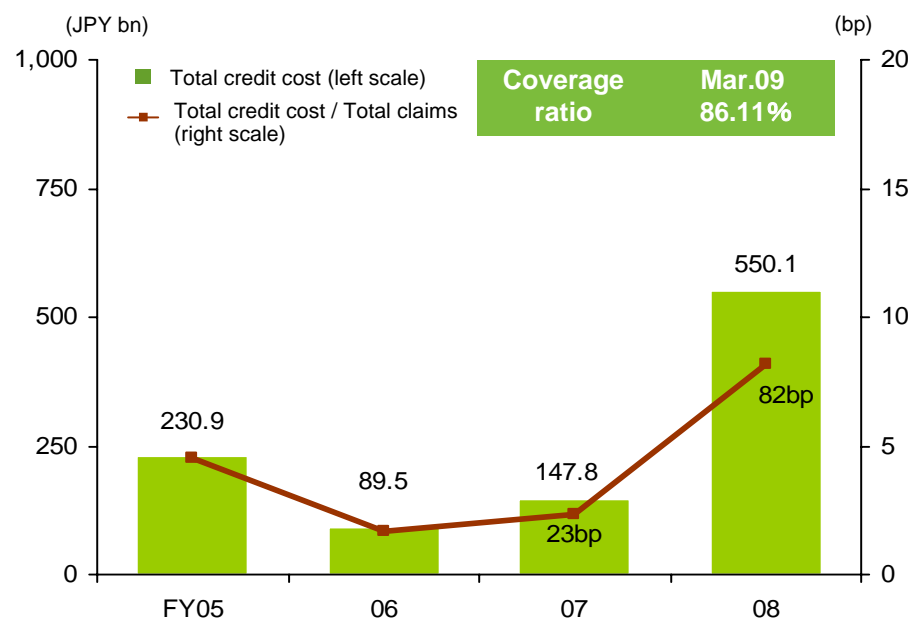


\*1 From FY09: Estimate by the Japan Research Institute in May 20, 09

\*2 Total credit cost = Provision for general reserve for possible loan losses, Write-off of loans, Provision for specific reserve for possible loan losses, Losses on sales of delinquent loans, Provision for loan loss reserve for specific overseas countries and Recoveries of written-off claims

\*3 Problem asset ratio = Problem assets based on the financial reconstruction law / Total claims

## Total credit cost \*2



Problem asset ratio*3	1.7%	1.21%	1.24%	1.78%
Problem asset (JPY tn)	1.0	0.7	0.8	1.2

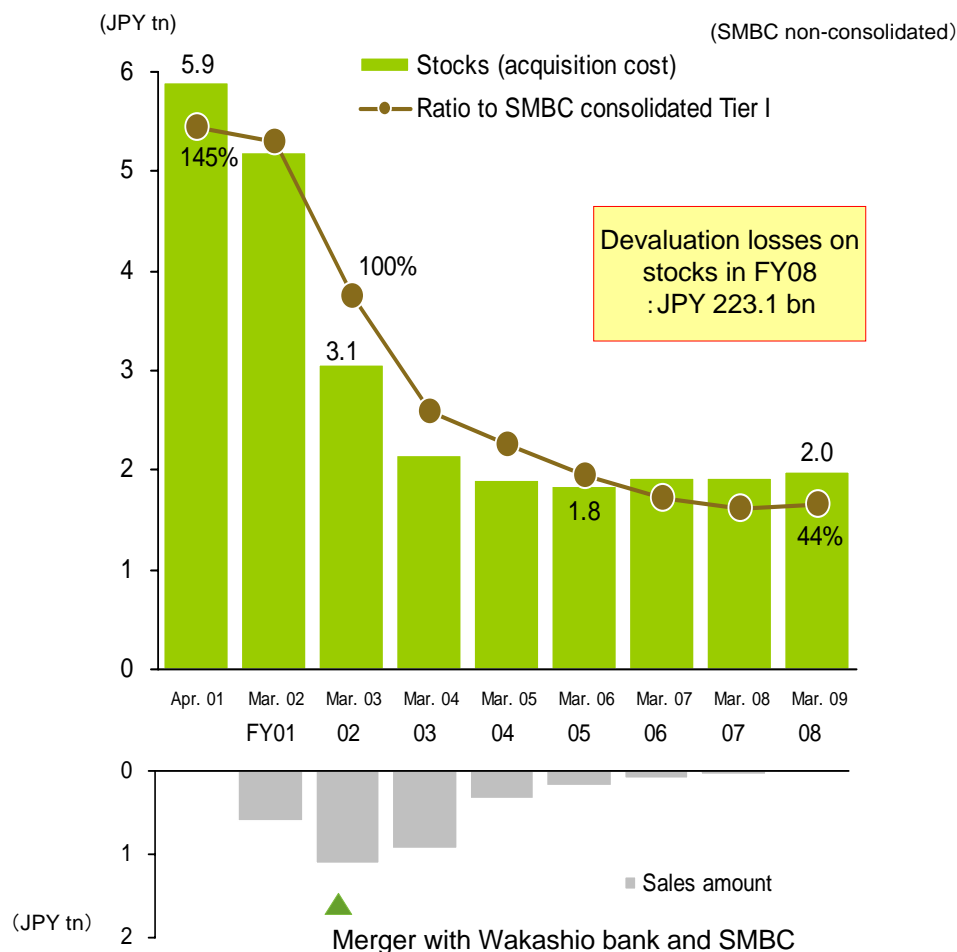
Claims to borrowers requiring caution, excluding claims to substandard borrowers (JPY tn)

2.2 2.4 2.6 3.7

# 1-7. Other securities (1) Stocks

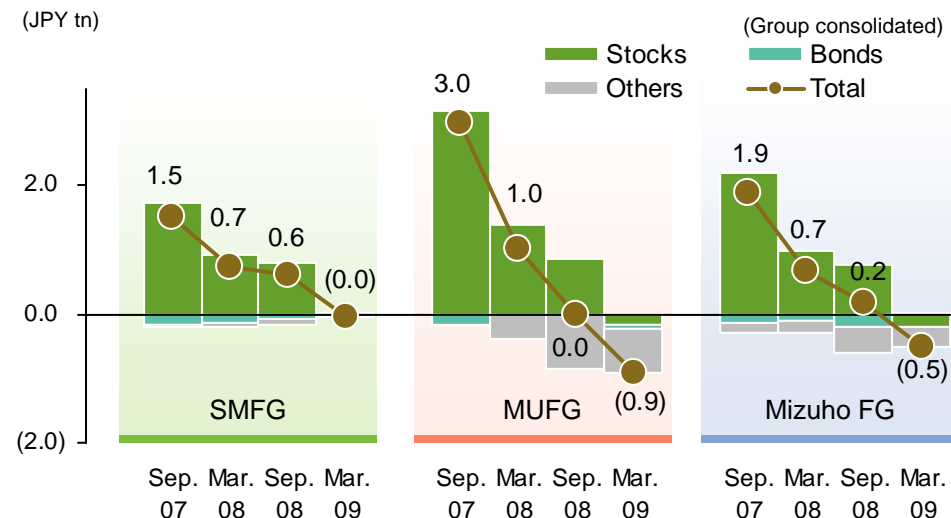
Impairment risk on listed stocks has been diminished through recognition of devaluation losses on stocks in FY08, in addition to steady reduction of stock holding since FY01

## Balance of stocks\* (acquisition cost) and Sales amount of stockholdings

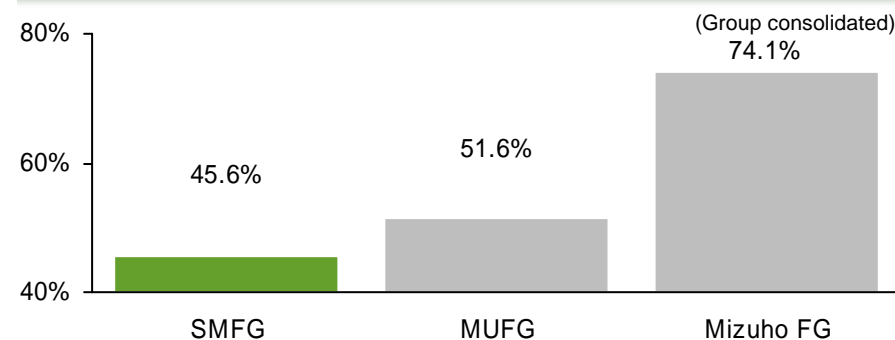


\*Domestic stocks which has market value included in other securities

## Unrealized gains (losses) on other securities



## Balance of stocks (acquisition cost)\* / Tier I capital (as of Mar. 31, 09)

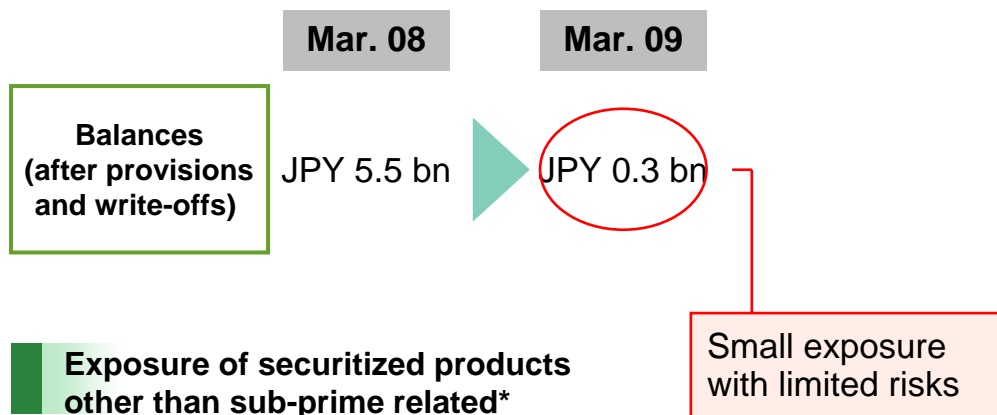


# 1-7. Other Securities (2) Securitized Products, etc.

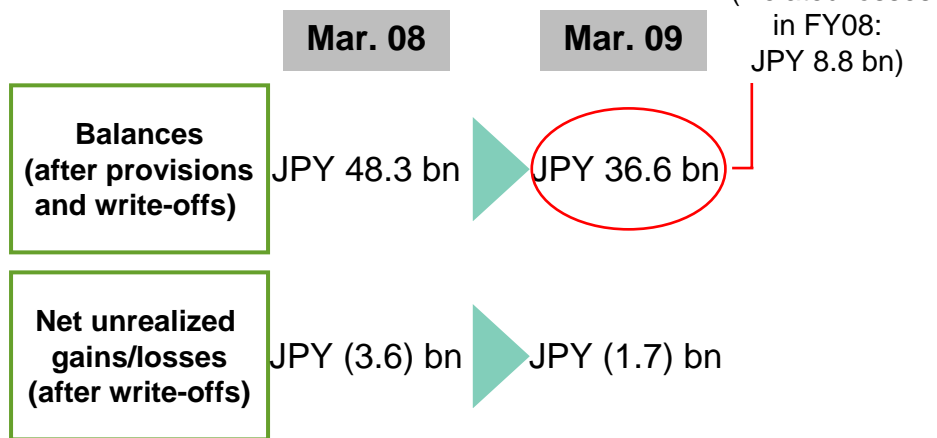
*Our group's exposure to securitized products is limited, and associated risks are at manageable level*

## Securitized products

### Exposure of sub-prime related products



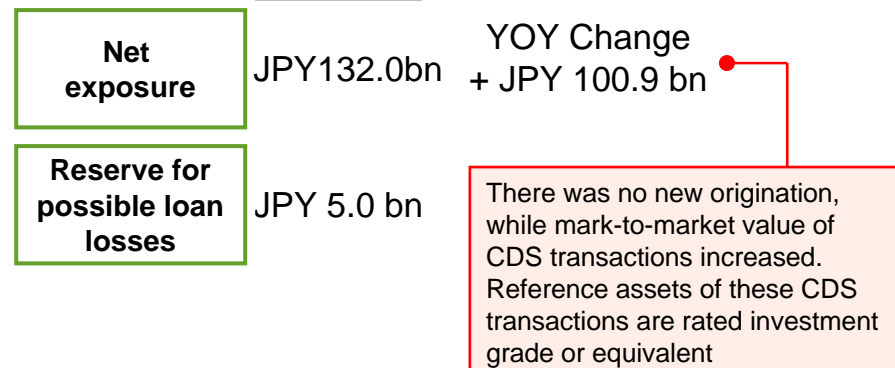
### Exposure of securitized products other than sub-prime related\*



\* Not including RMBS issued/guaranteed by Government Sponsored Enterprises etc.

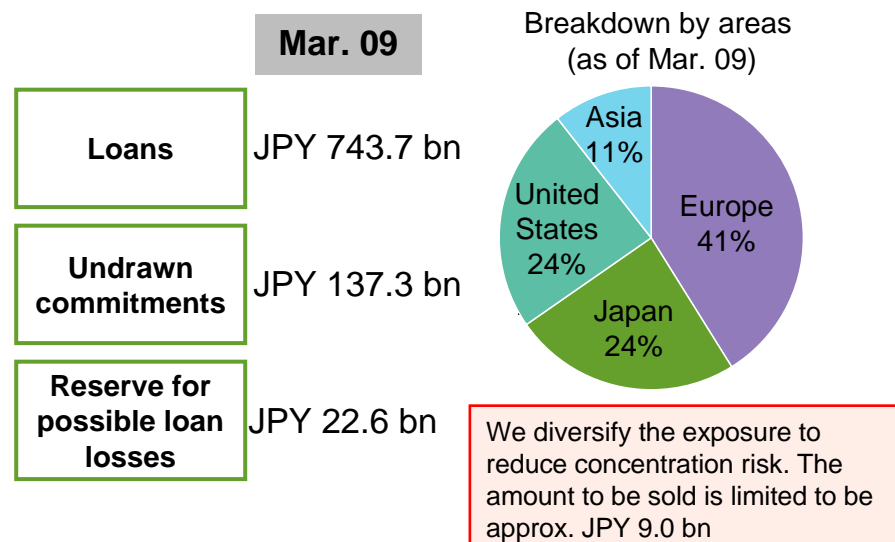
## CDS transactions with monoline insurance companies

Mar. 09



## Leveraged loans

Mar. 09



# 1-8. Deferred Tax Assets

*We calculate SMBC's Deferred tax assets conservatively by assuming stronger stress on estimated future earnings for sharp economic downturns in order to further enhance its sound financial base*

## Reason for recognition of Deferred tax assets

1. Recognition criteria: Practical Guideline, examples (4) proviso
2. Period for future taxable income to be estimated: 5 years
3. Accumulated amount of estimated future taxable income before adjustments for the next 5 years

(JPY bn)

Banking profit (before provision for general reserve for possible loan losses)	3,746.5
Income before income taxes (A)	1,253.0
Adjustments to taxable income (excluding reversal of temporary differences as of Mar. 31, 09) (B)	755.2
Taxable income before adjustments (A) + (B)	2,008.2

Effective income tax rate  
40.63%

**Deferred tax assets corresponding to taxable income before adjustments** **815.9**

**We calculated Deferred tax assets conservatively by assuming stronger stress on estimated future earnings centered on credit costs**

**Reduced financial risks associated with Deferred tax assets**

**Decreased by JPY 305.4 billion compared with Mar. 08**

## Amount of deferred tax assets (Mar. 09)

(JPY bn)

Subtotal of deferred tax assets	1,776.0
Reserve for possible loan losses, Write-off of loans	299.9
Taxable write-off of securities	588.5
Net operating loss carryforwards	676.5
Others	211.1
Valuation allowance	1,015.5
Total deferred tax assets (a)	760.5
Total deferred tax liabilities (b)	92.2
Net deferred tax assets (a) – (b)	668.3
<b>Net deferred tax assets</b> (Excluding deferred tax assets on net deferred loss on hedges and deferred tax liabilities on net unrealized gain on other securities)	<b>664.1</b>

# 1-9. Contribution of Affiliates to Consolidated Profit

*At subsidiary banks, credit costs increased due to worsening of borrowers' business performance and provisioning of preemptive reserves*

(JPY bn)	SMFG consolidated	SMBC non-consolidated	Difference
Consolidated gross profit / non-consolidated gross profit	2,165.9	1,524.9	641.0
Net interest income	1,338.5	1,018.4	320.1 (1)
Trust fees	2.1	2.1	0.0
Net fees and commissions	557.2	293.8	263.4 (2)
Net trading income	211.7	175.1	36.6
Net other operating income	56.4	35.5	20.9
General and administrative expenses	(1,063.4)	(701.5)	(361.9) (3)
Total credit cost	(767.8)	(550.1)	(217.7) (4)
Equity in earnings (losses) of affiliates	(94.9)	-	(94.9)
Ordinary profit	45.3	36.1	9.3
Extraordinary gains (losses)	(15.8)	(8.3)	(7.5)
Net income (loss)	(373.5)	(301.1)	(72.3)
Consolidated/non-consolidated net business profit*	728.7	823.4	(94.7)

## Major factors in difference

	(JPY bn)	FY08	YOY change
(1)	Kansai Urban Banking Corporation	60.0	+1.0
	Sumitomo Mitsui Finance and Leasing*	58.0	+74.0
	MINATO BANK	47.0	+0.0
	SMBC Europe	35.0	+4.0
(2)	Sumitomo Mitsui Card	143.0	+13.0
	SMBC Guarantee	33.0	(1.0)
	SMBC Friend Securities	22.0	(16.0)
(3)	Sumitomo Mitsui Card	(133.0)	(3.0)
	Sumitomo Mitsui Finance and Leasing	(43.0)	(12.0)
	SMBC Friend Securities	(40.0)	+1.0
	Kansai Urban Banking Corporation	(37.0)	(2.0)
(4)	Kansai Urban Banking Corporation	(66.0)	(49.0)
	MINATO BANK	(32.0)	(14.0)
	SMBC Europe	(26.0)	(26.0)
	Sumitomo Mitsui Finance and Leasing	(25.0)	(18.0)

\* Due to the change in Japanese accounting standard, a part of Gross profit which had been recorded in Net other operating income was recorded Net interest income.



# 1-10. Capital Ratio

SMFG's consolidated capital ratio as of Mar. 31, 09 (preliminary) was 11.47%, increased by 0.91% compared with Mar. 31, 08 because the amount of risk-adjusted assets decreased mainly due to an introduction of AIRB. Consolidated Tier I ratio was increased by 1.28% to 8.22%

(JPY bn)	Mar. 08 (a)	Mar. 09 (Preliminary) (b)	(b) - (a)
<b>Tier I</b>	<b>4,381.5</b>	<b>4,335.1</b>	<b>(46.4)</b>
Capital stock & Capital surplus	1,478.7	1,478.1	(0.6)
<Preferred Stock>	360.3	310.2	(50.1)
Retained earnings	1,680.5	1,224.0	(456.5)
Preferred securities issued by overseas SPCs	1,217.0	1,763.3	+546.3
Unrealized losses on other securities	-	(14.6)	(14.6)
Foreign currency translation adjustment	(27.3)	(129.1)	(101.8)
Amount equivalent to 50% of expected losses in excess of qualifying reserves	-	(17.6)	(17.6)
Increase in equity capital resulting from a securitization exposure	(44.0)	(42.1)	+1.9
<b>Tier II</b>	<b>3,021.9</b>	<b>2,421.0</b>	<b>(600.9)</b>
Unrealized gains on other securities after 55% discount	334.3	-	(334.3)
Land revaluation excess after 55% discount	37.2	37.2	(0.0)
General reserve for loan losses	59.5	80.4	+20.9
Total eligible provisions minus the total expected loss amount	67.8	-	(67.8)
Perpetual subordinated debt	998.3	762.6	(235.7)
Dated subordinated debt	1,524.8	1,540.8	+ 16.0
Deduction	(737.8)	(708.2)	+29.6
Total capital	6,665.5	6,047.8	(617.7)
Risk-adjusted assets	63,117.3	52,726.5	(10,390.8)
<b>Capital ratio*1</b>	<b>10.56%</b>	<b>11.47%</b>	<b>+0.91%</b>
<b>Tier I ratio</b>	<b>6.94%</b>	<b>8.22%</b>	<b>+1.28%</b>

\*1 Figures are based on Basel II standard (Credit risk: FIRB (Mar. 08), AIRB (Mar. 09), Operational risk: AMA)

\*2 SMBC consolidated basis

## Tier I

(1) Consolidated net income	(373.5) bn
Dividends	(81.2) bn
(2) Issuance of preferred securities	+1,043.5 bn
Redemption of preferred securities	(460.6) bn

Net deferred tax assets / Tier I capital (SMFG consolidated):  
19.2% (as of Mar. 09, decreased by 2.1% compared with Mar. 08)

## Tier II

(3) Decrease in unrealized gains on other securities	(334.3) bn
(4) Redemption of perpetual subordinated debt	(235.7) bn
(5) Issuance of dated subordinated debt	+ 385.6 bn
Redemption of dated subordinated debt	(369.6) bn

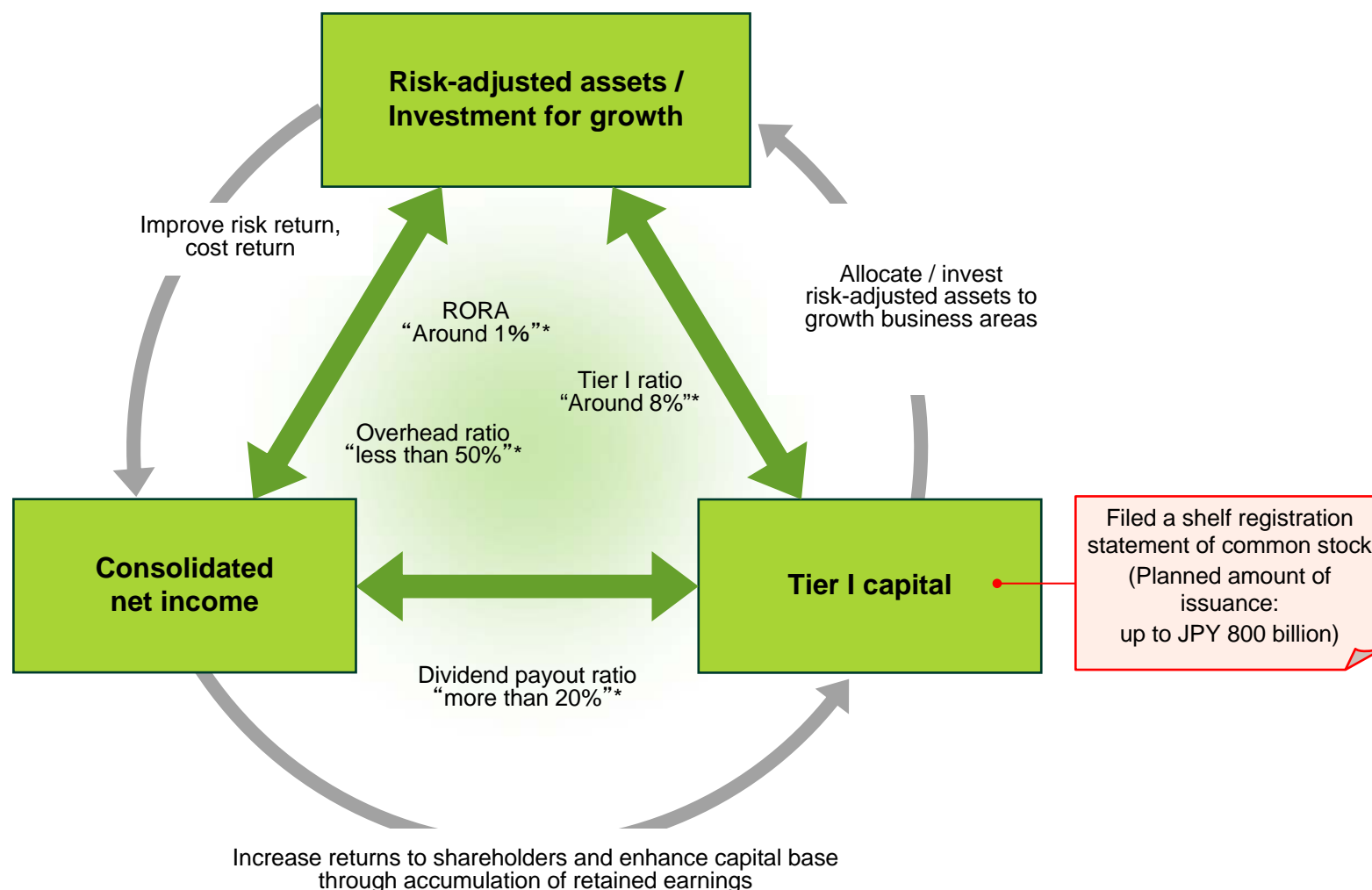
## Risk-adjusted assets

(6)	(JPY bn)	Mar. 08	Mar. 09 (Preliminary)	YOY change
(3)	Sum of risk-adjusted assets on credit risk	59,335.2	49,397.2	(9,938.0)
(4)	Market risk equivalent	430.2	265.7	(164.5)
(5)	(Reference) Outlier ratio*2	5.4%	8.6%	+ 3.2%
(6)	Operational risk equivalent	3,352.0	3,063.6	(288.4)
	<b>Total</b>	<b>63,117.3</b>	<b>52,726.5</b>	<b>(10,390.8)</b>

Risk-adjusted assets on credit risk decreased due to an introduction of the Advanced Internal Rating-Based Approach



# 1-10. (1) Management Approach for Sustainable Growth

*Aiming for sustainable growth of corporate value through well-balanced growth cycle of profitability, capital base, risk-adjusted assets and investment for growth*



# 1-10. (2) Preferred Securities

We have issued approx. JPY 1,200 billion of preferred securities since Feb. 08, to meet the first call dates of approx. JPY 800 billion of preferred securities we issued about 10 years ago

		1998	1999	2000	2006	2007	2008	2009	
 <b>Sumitomo Mitsui Financial Group (“SMFG”)</b>	issued Dec. 06 (Step-up)	<b>SMFG Preferred Capital USD 1 Ltd</b>				USD 1,650 mn			
	Dec. 06 (Step-up)	<b>SMFG Preferred Capital GBP 1 Ltd</b>				GBP 500 mn			
	Feb. 08 (Non step-up)	<b>SMFG Preferred Capital JPY 1 Ltd</b>				JPY 135.0 bn			Issued since 08: Approx. JPY 1,200 bn
	May 08 (Non step-up)	<b>SMFG Preferred Capital USD 2 Ltd</b>				USD 1,800 mn			
	Jul. 08 (Step-up)	<b>SMFG Preferred Capital USD 3 Ltd</b>				USD 1,350 mn			
	Jul. 08 (Step-up)	<b>SMFG Preferred Capital GBP 2 Ltd</b>				GBP 250 mn			
Dec. 08 / Jan. 09 (Step-up) / (Non step-up)	<b>SMFG Preferred Capital JPY 2 Ltd</b>				JPY 698.9 bn				
 <b>Sumitomo Mitsui Banking Corporation (“SMBC”)</b>	Feb. 98	<b>SBTC-LLC (“OPCO”) Step-up</b>				Jun. 08 Redeemed	USD 1,800 mn		Having first call date in 08 and 09: Approx. JPY 800 bn
	Dec. 98 Mar. 99	<b>SPCL Non step-up</b>				Jan. 09 Redeemed	JPY 283.8 bn		
	Feb. 99 Mar. 99	<b>SBES Non step-up</b>				Jun. 09 To be redeemed	JPY 340.0 bn		
<b>Other subsidiaries</b>	Jan. 07 (Step-up)	<b>KUBC PCC*</b>				JPY 12.5 bn			

\* A company incorporated for the purpose of issuing the preferred securities and a wholly owned subsidiary of Kansai Urban Banking Corporation, a consolidated subsidiary of SMFG

# 1-11. Earnings Forecast for FY2009

We expect a steady recovery of bottom-line profit for FY09 as a result of taking conservative financial measures for items such as credit costs in FY08

(JPY bn)		FY08 Results (a)	1H 09 Forecast	FY09 Forecast (b)	(b)-(a)
SMBC non- consolidated	Gross banking profit	1,524.9	700.0	1,445.0	(79.9)
	Expenses	(701.5)	(350.0)	(695.0)	+ 6.5
	Overhead ratio	46.0%	50.0%	48.1%	+ 2.1%
	Banking profit*	823.4	350.0	750.0	(73.4)
	Total credit cost	(550.1)	(230.0)	(380.0)	+ 170.1
	Ordinary profit	36.1	110.0	310.0	+ 273.9
	Net income	(301.1)	70.0	180.0	+ 481.1

SMFG consolidated	Ordinary profit	45.3	200.0	510.0	+ 464.7
	Net income	(373.5)	90.0	220.0	+ 593.5

\* Before provision for general reserve for possible loan losses

## Assumption for FY09 forecast

	Assumption for FY09 forecast	Results of Mar. 31, 09
Nominal growth rate of GDP	Approx. (3%)	(3.7%)* <sup>2</sup>
3 month JPY TIBOR	0.65%	0.65%
FF target rate	0.00 - 0.25%	0.00 - 0.25%
Exchange rate (JPY/USD)	90	98.23
Nikkei Stock Average (JPY)	7,765	7,765* <sup>3</sup>

\*<sup>2</sup> FY08 result announced by Cabinet Office \*<sup>3</sup> Average of Mar. 09

## Common share dividends

- To increase returns to shareholders and realize payout ratio of more than 20% is one of the SMFG's management targets.
- Considering level of payout ratio and stable payment of dividends, etc., dividend for FY09 is planned to be JPY 90 per share, the same level as FY08.

## 2. Management Policy for FY2009

## 2-1. Management Policy for FY2009

*Establishing the next foundation for future growth, while continuing to strengthen businesses consistent with our philosophy of 'follow the basics'*

### Managing credit costs, risk-adjusted assets and expenses

- 1 Control on credit costs and risk-adjusted assets
- 2 Control on expenses

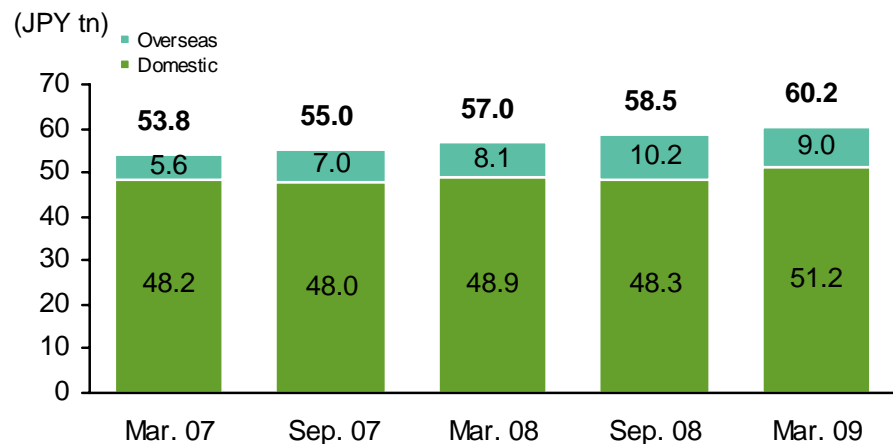
### Fortifying targeted growth business areas

- 3 Financial consulting for individuals  
/ Payment & settlement services, Consumer finance
- 4 Solution providing for corporations  
/ Investment banking, Trust business
- 5 Focused business areas in global markets

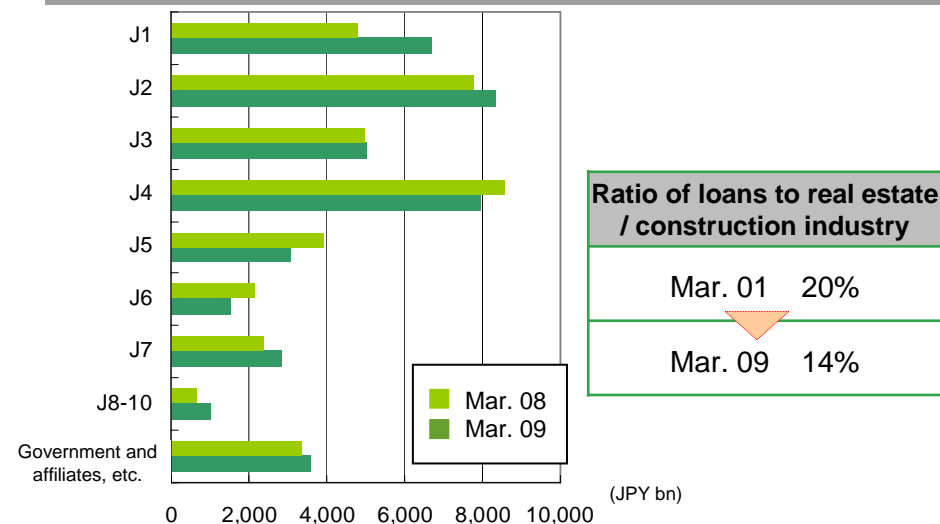
## 2-2. Stringent Control on: (1) Credit Costs / Risk-Adjusted Assets

*While maintaining growth, we aim to effectively manage quality of loan portfolio.  
Also, we continue to focus on improvement in risk-return profile*

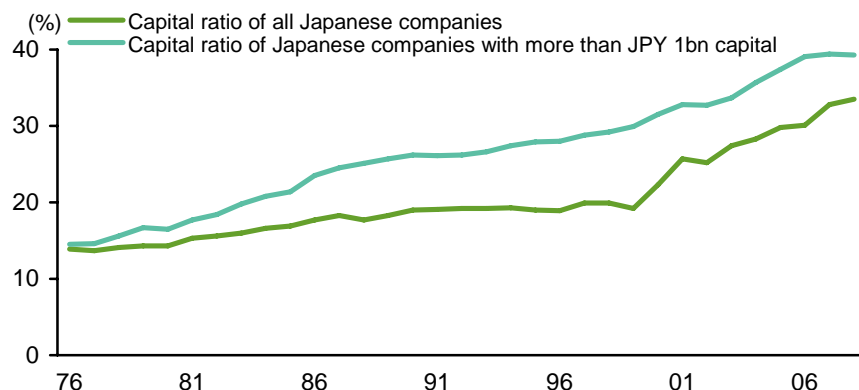
### Loan balance



### Summary of domestic loans



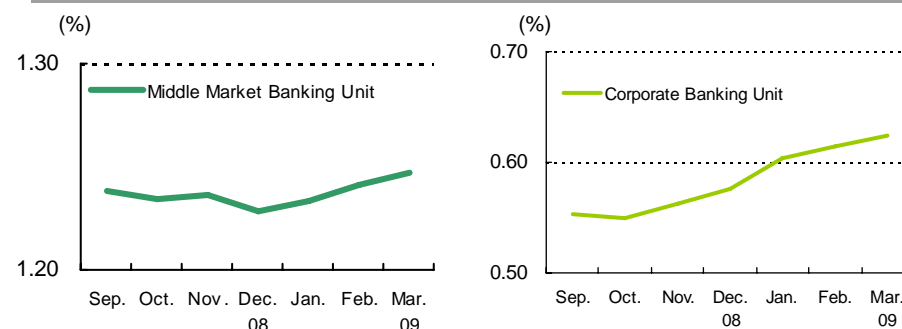
### Capital ratio of Japanese companies\*1



\*1 Source: Ministry of Finance Japan

**Total domestic claims\*2: approx. JPY 40 tn**  
(as of Mar. 09, managerial accounting basis)

### Loan spread for domestic corporations\*3



\*2 Total domestic claims excluding special lending and retail exposures  
(on-balance assets + commitment lines)

\*3 Managerial accounting basis (excluding loans to government, etc.)

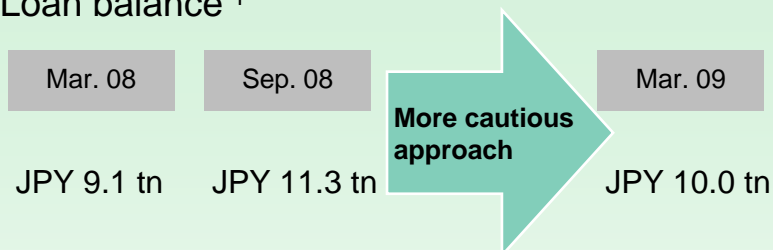
(SMBC non-consolidated)

## 2-2. (1) Improving Risk-Return Profile in Overseas Loans

*Considering possible deterioration of overseas assets due to global economic slowdown, we have been controlling loan balance while steadily improving loan spreads  
Also, we enhanced credit risk management on a global basis through the establishment of Credit Management Dept. within International Banking Unit*

### Controlling risk-adjusted assets / Improving risk-return profile

#### ● Loan balance\*<sup>1</sup>



#### ● Loan spread\*<sup>2</sup>



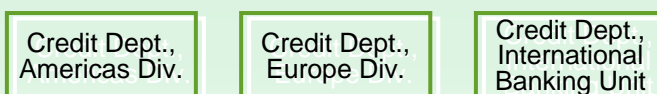
\*1 Sum of SMBC and SMBC Europe

\*2 Sum of SMBC and SMBC Europe, average on contracted overseas loans outstanding

### Improving credit risk management platform

<Organizations for credit screening for non-Japanese companies in International Banking Unit before Sep. 08>

- Credit Dept., International Banking Unit partially had functions of planning credit risk management on a global basis



<Newly established "Credit Management Dept., International Banking Unit" in Oct. 08>

#### Credit Management Dept., International Banking Unit

- Implement integrated risk management of non-Japanese companies on a global basis
- Pick up industries and sectors requiring caution, and help management to get information more quickly
- Conduct planning for credit risk management on a global basis

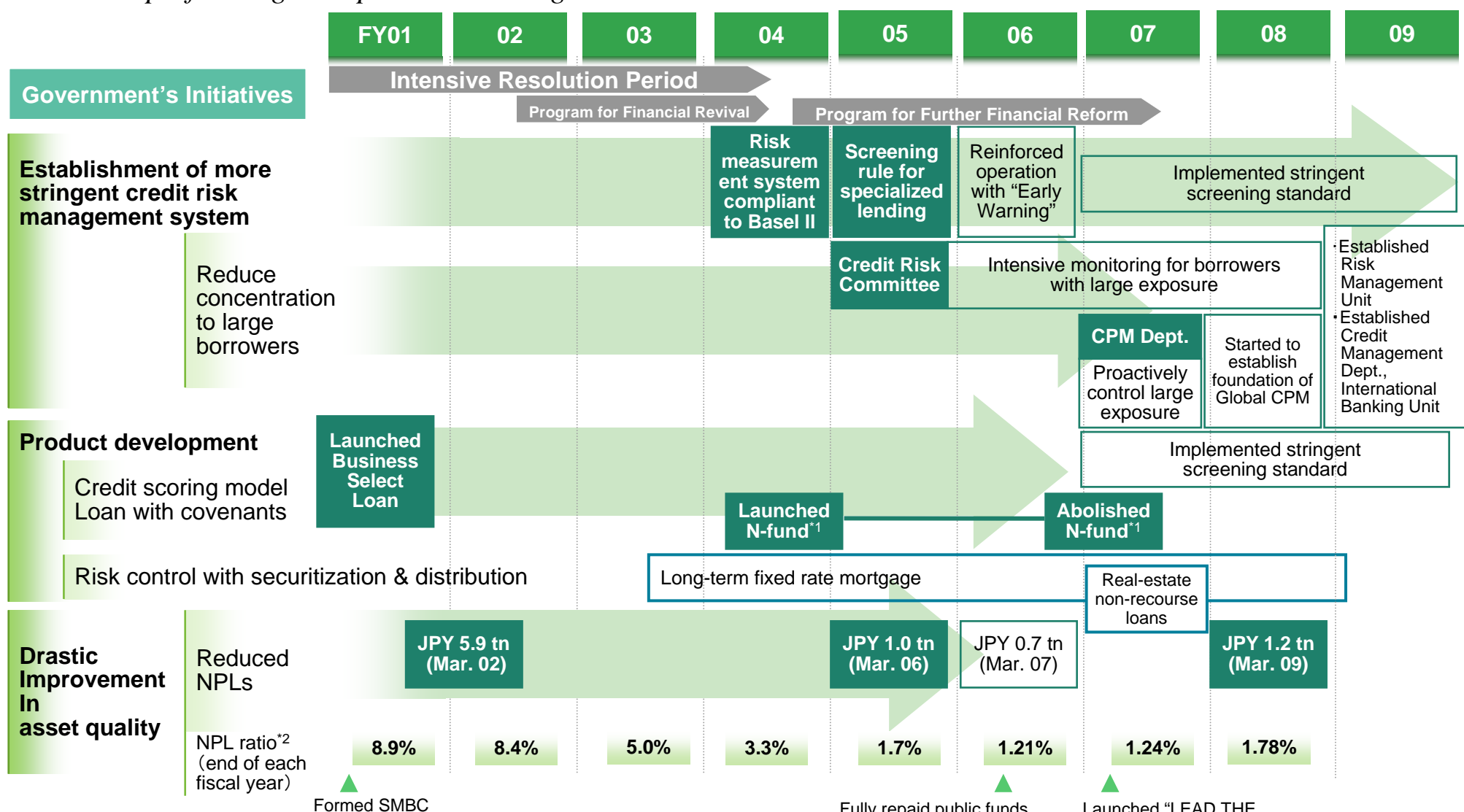


In-depth screening approach based on trends by regions



## 2-2. (1) Establishing Credit Risk Management System

*Constantly reinforcing credit risk management systems after the Intensive Resolution Period of non-performing loan problems in large borrowers*



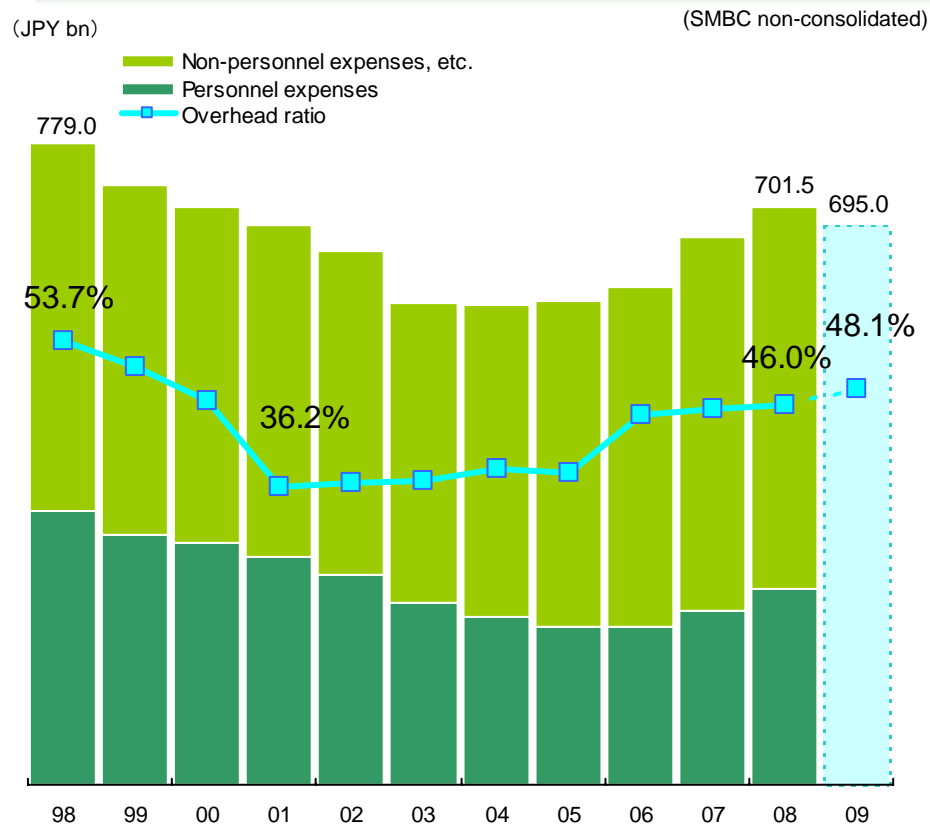
<sup>\*1</sup> N-fund: Unsecured loans with standardized/simplified screening model compared with normal loans

<sup>\*2</sup> NPL ratio = Total NPLs outstanding / Total loans and other claims balance

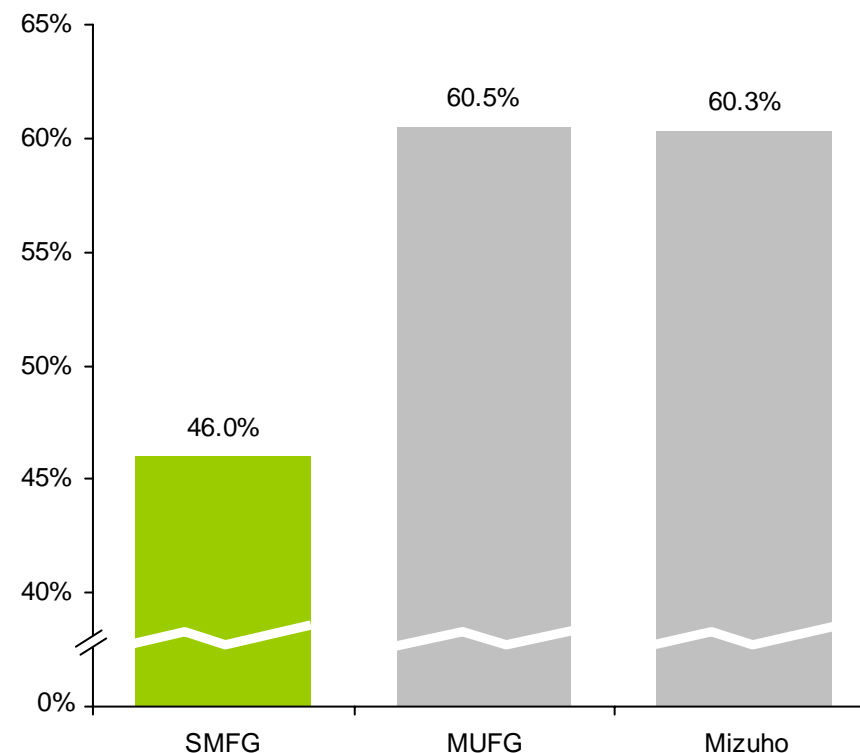
## 2-2. (2) Expenses

*We will thoroughly review the priority of expenditure by size, timing, and return, etc., and aim to persist in business efficiency with an overhead ratio of less than 50% on SMBC non-consolidated basis*

### Trends of Expenses<sup>\*1</sup>



### Overhead ratio<sup>\*2</sup> (comparison with peers<sup>\*3</sup>)



<sup>\*1</sup> FY00 and before: aggregated figures of former Sakura Bank and Sumitomo Bank

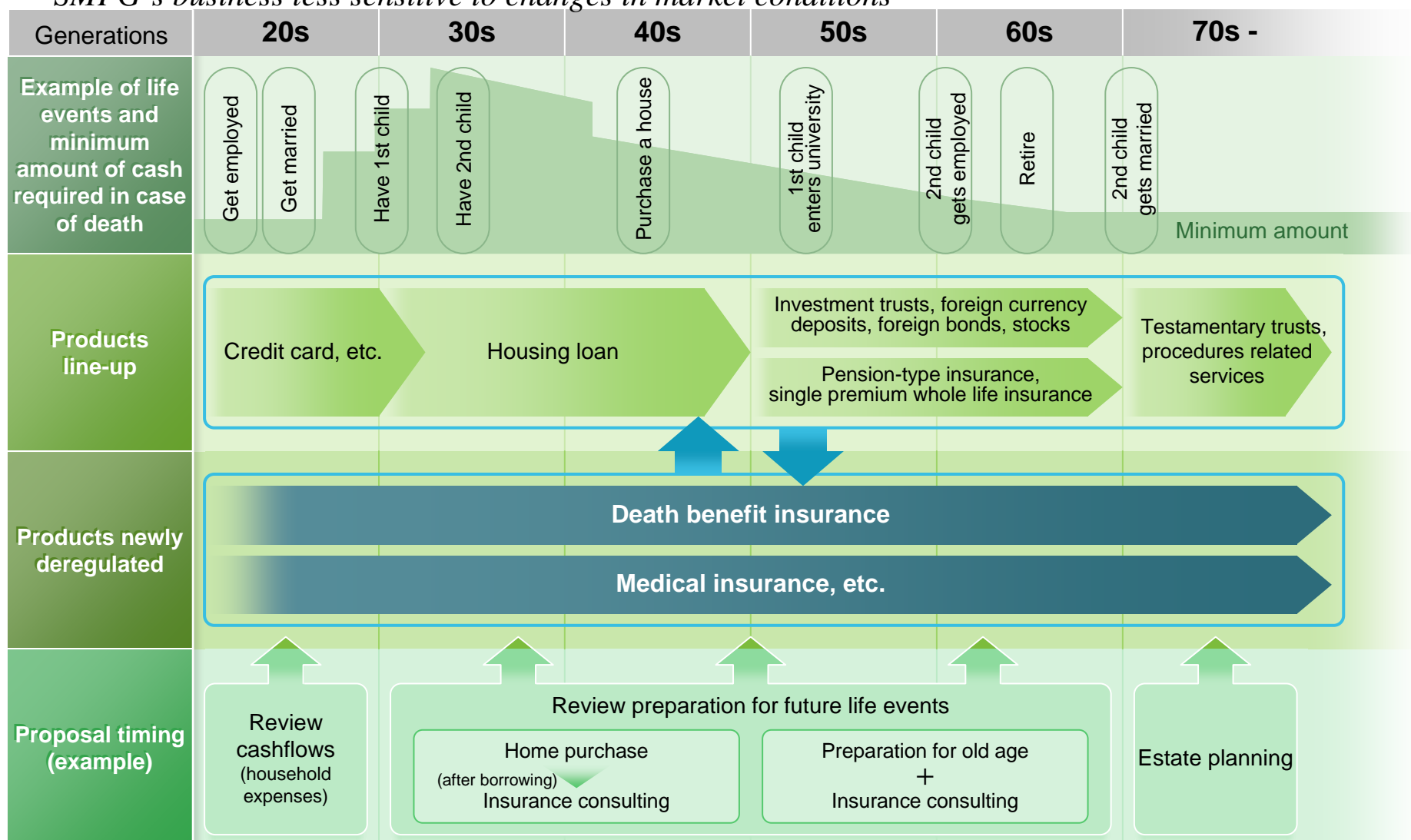
<sup>\*2</sup> Expenses divided by gross banking profit (simple aggregation of the figures of subsidiary banks on a non-consolidated basis)

<sup>\*3</sup> Based on each company's disclosure (financial results for FY08). The figures shown in graphs are based on the followings:

non-consolidated figures of SMBC for SMFG, non-consolidated figures of The Bank of Tokyo-Mitsubishi UFJ for MUFG and simple aggregation of the figures of Mizuho Bank and Mizuho Corporate Bank for Mizuho.

## 2-3. Financial Consulting for Individuals

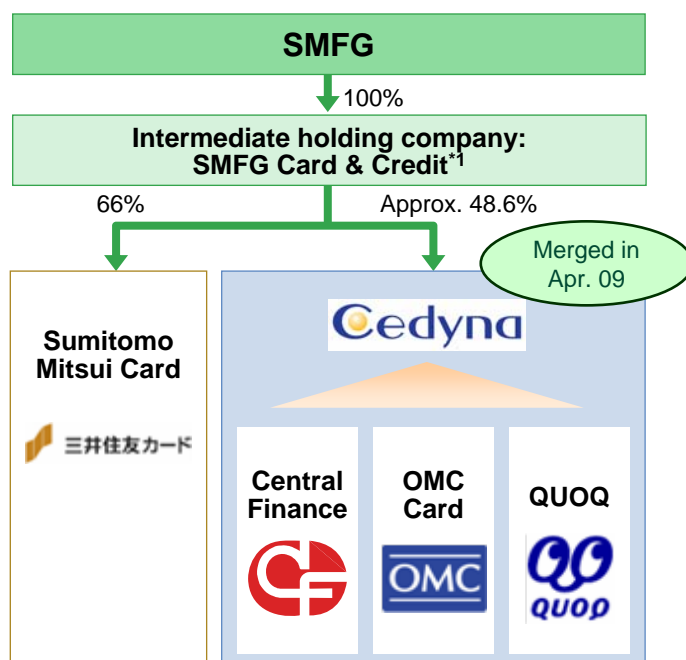
*Establishing “total consulting” business model – proposing products and services which optimally respond to customers’ needs and consistently providing follow-up information – makes SMFG’s business less sensitive to changes in market conditions*



## 2-4. Payment & Settlement Service, Consumer Finance

*Through new alliances, we aim to expand market shares while promoting business efficiency*

### Organizational structure to promote credit card business



Top-line synergy

Cost synergy

### Number of cardholders\*2 (mn)

JCB	60.0
<b>SMFG Group</b>	<b>37.9</b>
Mitsubishi UFJ Nicos	36.7
Credit Saison	26.0
Sumitomo Mitsui Card	16.4
UC	15.6
Aeon Credit	15.5
Orico	11.2
JACCS	9.9
OMC Card	9.6
Central Finance	8.4
...	
QUOQ	3.6

### Target for operating profit of FY2011 (JPY bn)

Aggregate	60.0
Sumitomo Mitsui Card	30.0
Cedyne	30.0

### Joint Business Development of ORIX Credit Corporation

SMBC will acquire a 51% stake in ORIX Credit Corporation by Jul. 09



51%

### ORIX Credit Corporation

#### VIP Card Loan

- Balance of unsecured loans (interest rate of 5.5 - 15.0%): More than JPY 300 bn (having the largest market share in this category of loan product)

Enhancing market presence in the changing consumer finance market

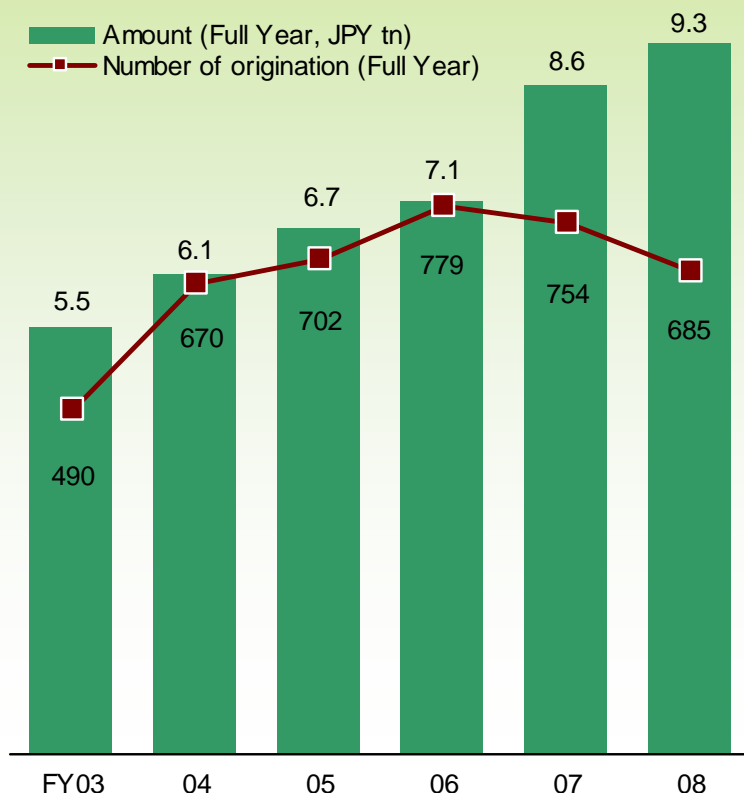
\*1 Established in Oct. 08

\*2 Number of cardholders as of Mar. 08 (Number of cardholders for JCB and Aeon Credit / OMC Card are as of Mar. 07 and Feb. 08, respectively)

## 2-5. Solution Providing for Corporations / Investment Banking Business

*Even under the severe business environment, we have steadily enhanced market presence through promoting products with competitive edge such as loan syndication. We continuously reinforce solution providing for clients' management issues*

**Loan Syndication (amount, number of origination)**



**Japan**

**Loan syndication  
Book runner<sup>\*1</sup>**

FY2007



FY2008



**Global**

**Loan syndication  
Book runner<sup>\*2</sup>**

2007



2008



**Global**

**Project finance  
Mandated arranger<sup>\*1</sup>**

2007



2008



<sup>\*1</sup> Source: Thomson Reuters

<sup>\*2</sup> Source: Dealogic

## 2-6. Focused Business Areas in Global Market

*Globally expanding strategic alliances with commercial banks with competitive edge in Asia and in other global markets where higher growth is expected*

### Channel expansion/establishment in Asia

- **SMBC Capital India Private Limited**  
Established: Jul. 08
- **Asia Pacific Division**  
Established: Apr. 08
- **Hanoi Branch in Vietnam**  
Opened: Dec. 08
- **Subsidiary bank in China**  
Established: Apr. 09

### Alliance with global financial institutions

#### Barclays PLC

Basic Agreement:  
Jun. 08

- Acquired approx. 2% stake (as of Sep. 08)  
Agreed to explore joint business development opportunities
- Aiming to establish a solid relationship with Barclays in order to explore opportunities in the long term

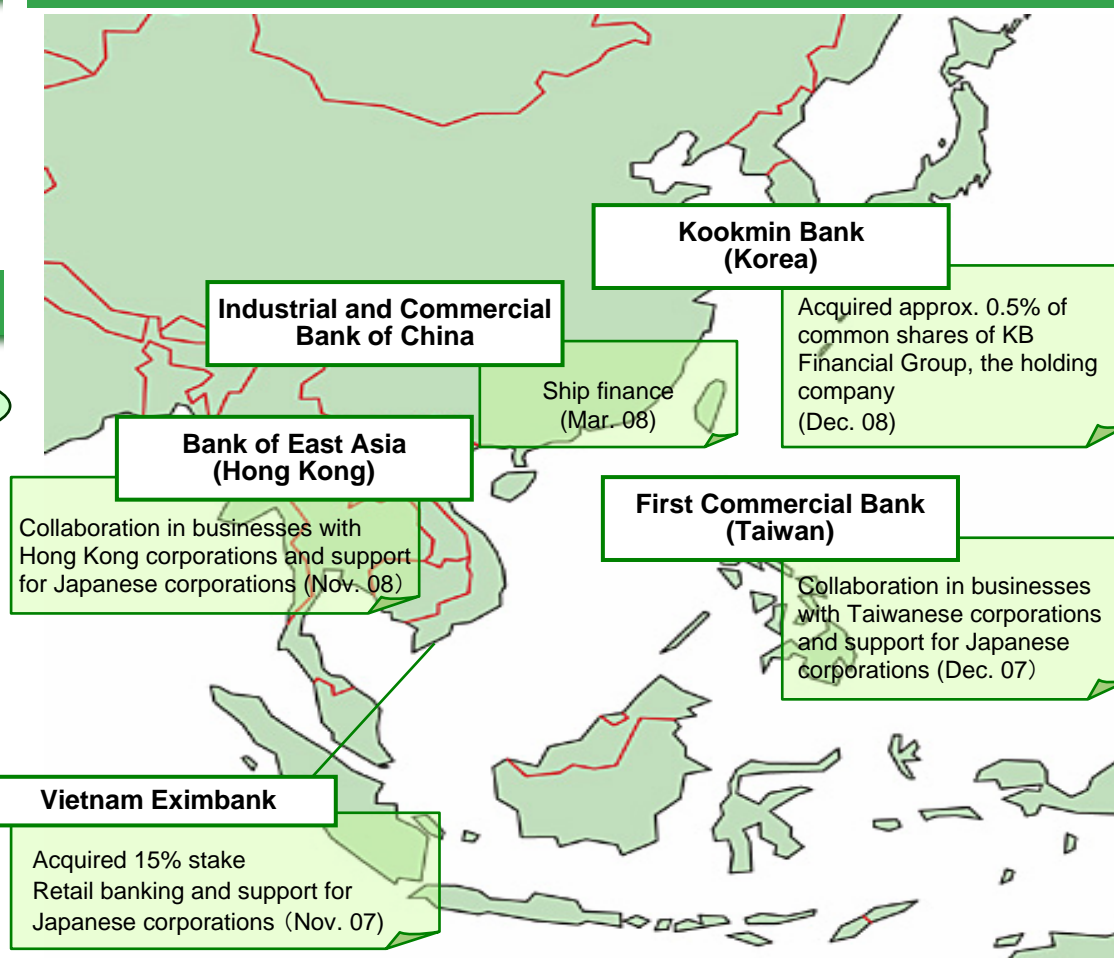
#### Outline of Capital Investment

- SMBC invested approx. GBP 500 mn
- Acquired approx. 2% stake of Barclays
- Expected attractive return in the medium term

#### SMFG's Aim in Strategic Cooperation


- Complement global network including emerging markets
- Leverage Barclays' expertise and products to strengthen growth businesses
- Trainee program

### Promotion of strategic alliances in Asia



## 2-7. Acquisition of Nikko Cordial Securities & Other Related Businesses

*Promote the creation of a new leading financial services group through combining the stability and reliability of a commercial bank with New Nikko Securities' high-quality customer services*

Acquired Business/Assets		Purchase Price
New Nikko Securities	 <b>Nikko Cordial Securities Inc.</b> (all operations excluding selected assets and liabilities)* <sup>1</sup> <ul style="list-style-type: none"> <li>● The third largest full-line retail brokerage firm among Japan</li> </ul>	
	<b>Wholesale securities business</b> Some businesses of Nikko Citigroup Limited* <sup>1</sup> <ul style="list-style-type: none"> <li>● Equity and debt underwriting business</li> <li>● Certain industry coverage teams</li> </ul>	
	Nikko trademark and certain other assets	JPY 545.0 bn <sup>2</sup>
Affiliates	<b>Affiliates related to targeted businesses including:</b> <ul style="list-style-type: none"> <li>● Nikko Cordial Alternative Investment Partnership</li> <li>● Nikko System Solution</li> <li>● Nikko Global Wrap</li> </ul> (Total book value: approx. JPY 60 bn)	
Stocks	Shares held for strategic reasons (Listed stocks)	JPY 28.5 bn <sup>3</sup>

\*<sup>1</sup> Through demergers (an absorption-type demergers), the operations will be transferred to New Nikko Securities whose stock will be acquired by SMBC, pursuant to approval from relevant authorities.

\*<sup>2</sup> This figure will be adjusted based on net assets, etc. at New Nikko Securities and Affiliates, etc. at the point in time on the effective date

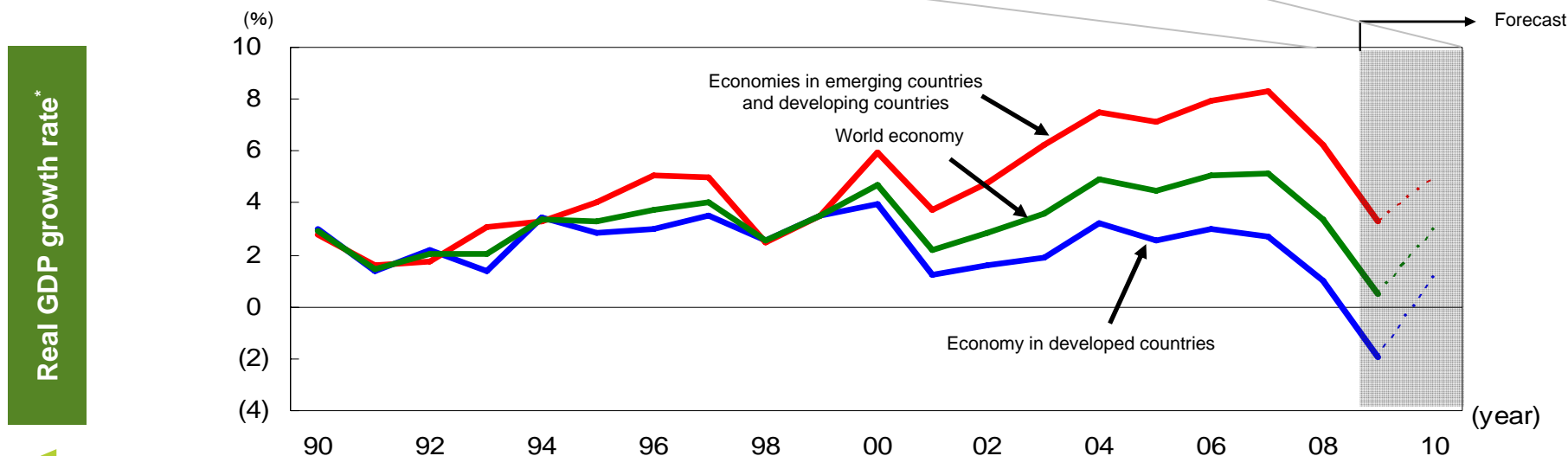
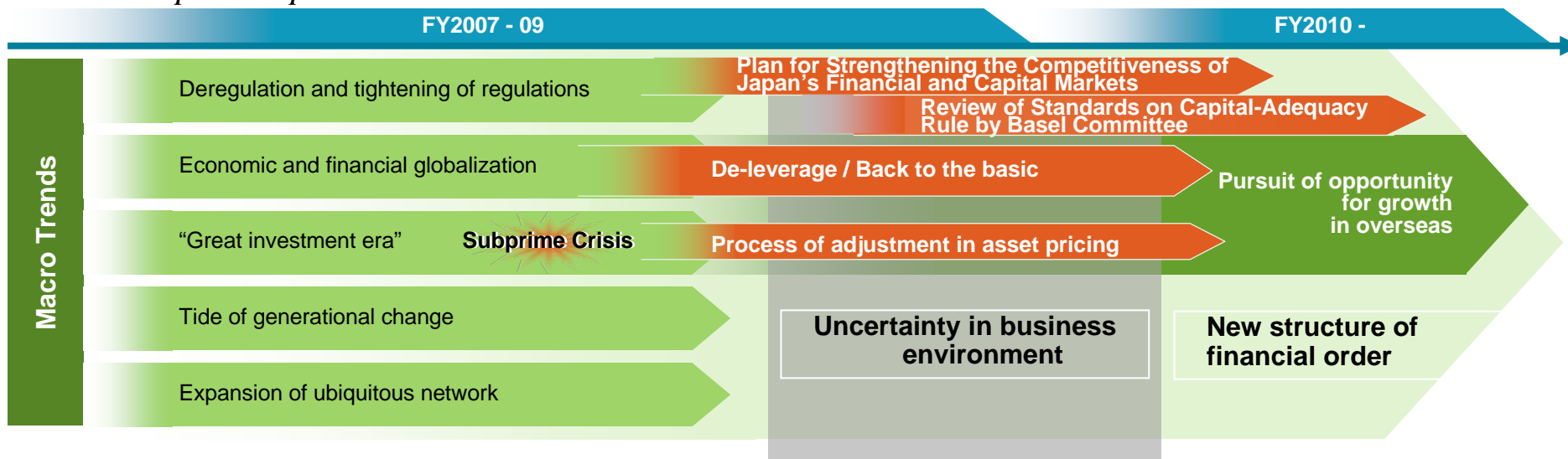
\*<sup>3</sup> Estimate based on market price as of Mar. 31, 09. Will be an amount equal to 95% of the market price as of 4 days prior to the closing date.

※ JPY 201.0 bn in cash will be excluded from the scope of this transaction, and will be retained by Nikko Cordial instead of being succeeded by New Nikko Securities



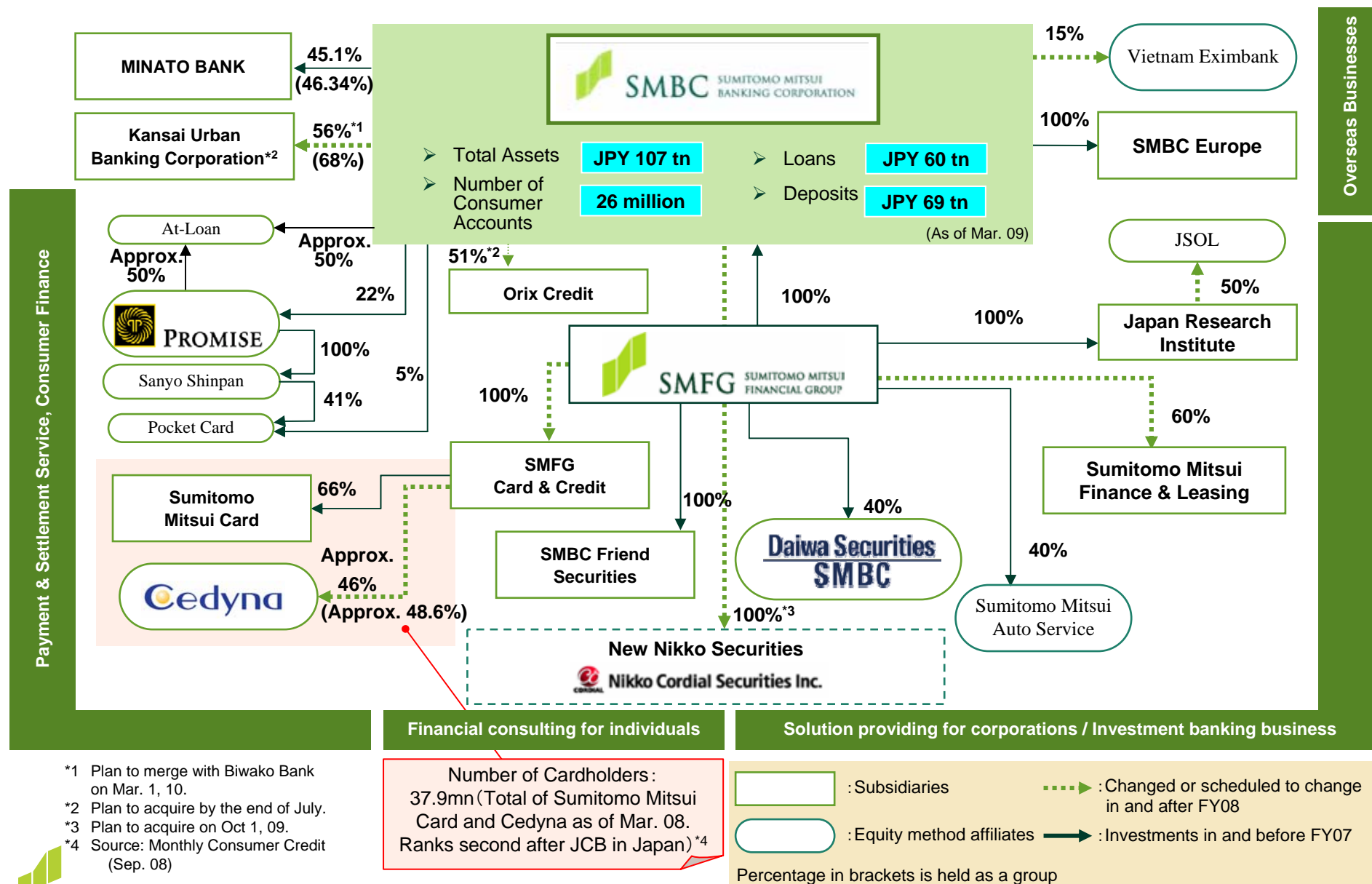
# In closing

*Amid clear signs of a global economic slowdown, we intend to continue to proactively deal with potential sources and expansion of losses in an early stage, and take necessary actions for growth, while defining our competitive position in the medium term*





# (Reference) SMFG's Group Structure



\*1 Plan to merge with Biwako Bank on Mar. 1, 10.  
 \*2 Plan to acquire by the end of July.  
 \*3 Plan to acquire on Oct 1, 09.  
 \*4 Source: Monthly Consumer Credit (Sep. 08)



This document contains certain forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may materially differ from those contained in the forward-looking statements as a result of various factors.

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